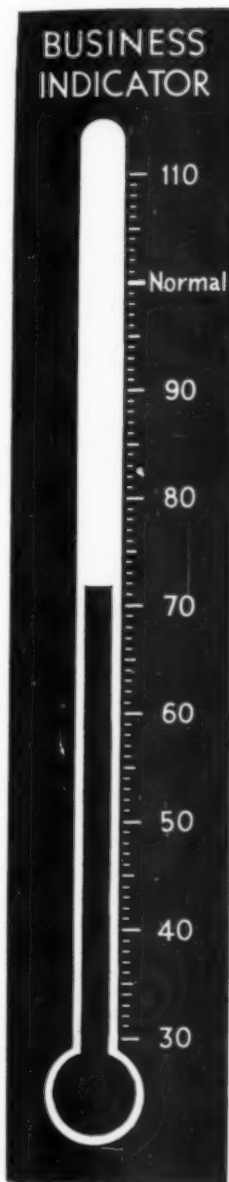


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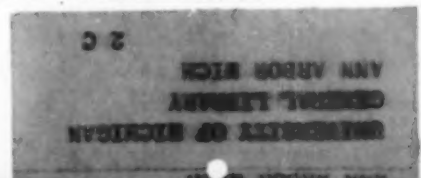
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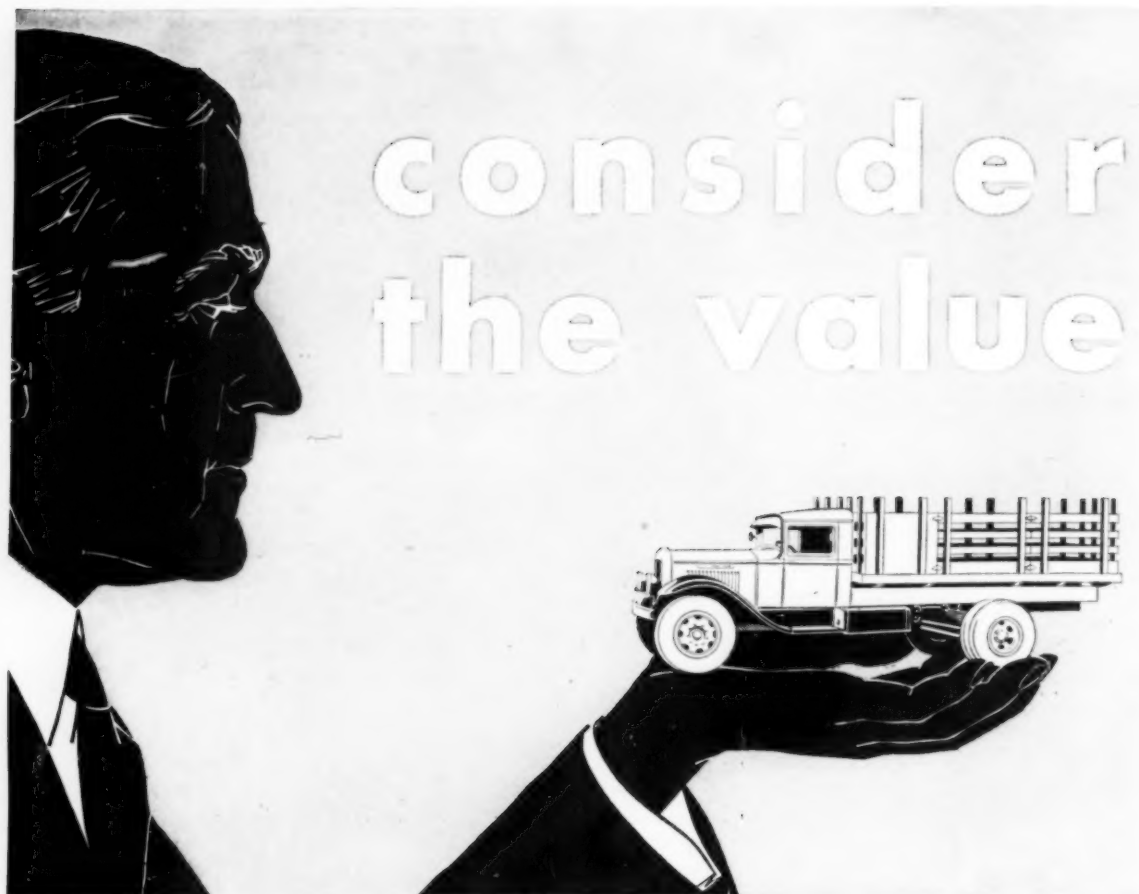
BUSINESS
INDICATOR

By Labor Day, August will probably have put in its claim for the closely-contested honor of being the much-heralded, honest-to-goodness bottom, and may win by the nose of an index number over July and last December The endurance dance of this unduly prolonged depression ought by all odds to end this month, if ever Precedent of 1921 favors this hopeful prospect, for in the summer of that year stocks and trade sloshed along in uncertain stagnation, as they have this time, till September A strikingly similar advance improvement in textiles and other consumer industries, accompanied by sporadic strength in individual stocks standing out from the general list, has appeared Commodity price levels have shown unusually early and prolonged stability, and exports seem to have reached a resistance level Still, the third week of August gives no sign of expected seasonal improvement, and skepticism about its prospective strength increases Our index continues to slide down to new lows Steel oscillates uncertainly; carloadings, bank debits, and power production show unseasonally persistent slackness Late building figures alone lend a little fitful light to the encircling gloom growing out of the steadily weakening bond market The European scene continues a succession of crises, converging on the nerve-center of international finance in London, and met by emergency measures which only stave off that large-scale international action on fundamental issues which is inevitable, but of which there is still no sign.

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THE BUSINESS WEEK (with which is combined The Magazine of Business) September 2, 1931, No. 194. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. \$5.00 per year, 12c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1931 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Britain Steadies

BRITAIN'S position is immeasurably better for the present, but the new government, formed to meet the emergency, has two years' hard work ahead, not a few months', as was its first plan. (page 5)

FINANCIAL and political in its spectacular aspects, Great Britain's crisis really is but a phase of a fundamental social struggle. She must choose between socialism and world financial supremacy—she can no longer have both. (page 6)

Toledo—a Case Study

TOLEDO banks close; business is crippled but grittily improvises crutches. The story of bitter competition, creeping public distrust, eventual disaster, could serve as the type of all such tales. (page 8)

Mail Order Merger

SEARS, ROEBUCK and Montgomery Ward once again are reported on the verge. There seems to be some reason for it this time. (page 13)

A Poor Swap

THE Farm Board's wheat-for-coffee exchange with Brazil of course satisfies the farmers, but shipowners, coffee men, and grain traders are bright red with wrath. (page 9)

Oil

"ALFALFA BILL" MURRAY got what he wanted: Oklahoma oil went to \$1 a barrel under martial law; but only court-tested prorationing under states rights can keep it there. (page 10)

CONTROL by cavalry, however, fails to reach the fundamental cause of low prices, which is contraction of credit. (Editorial, page 48)

PERHAPS the general movement toward consolidation is the industry's solution for overproduc-

tion and price-cutting; there are mergers in the making. (page 11)

Vacuum Cleaners

AT the half-year mark, the records show that sales totals were in curiously direct ratio with sales effort; new models helped. (page 12)

Railroads

"WE can't afford a rate raise now," is the shippers' chorus as sung before the I.C.C. hearings. Higher rail rates, they add, will just switch the traffic to the trucks and the barges. (page 16)

NEW ENGLAND once cracked jokes about the "Busted & Maimed," now proudly referred to as "the new Boston & Maine." (page 19)

CARRIER'S new air-conditioning system for trains uses hot steam from the locomotive to cool the cars. (page 20)

Free Wheeling—Plus

THE vacuum clutch, just announced, is just 1 of 4 new Bendix products which Vincent Bendix believes should provide good sales opportunities in bad times. (page 22)

Hats

THOSE new half-portion hats, evolved in Paris, are keeping factory windows lighted in Danbury; the Connecticut hat town is taking full advantage of the fashion that may be only a fad. (page 30)

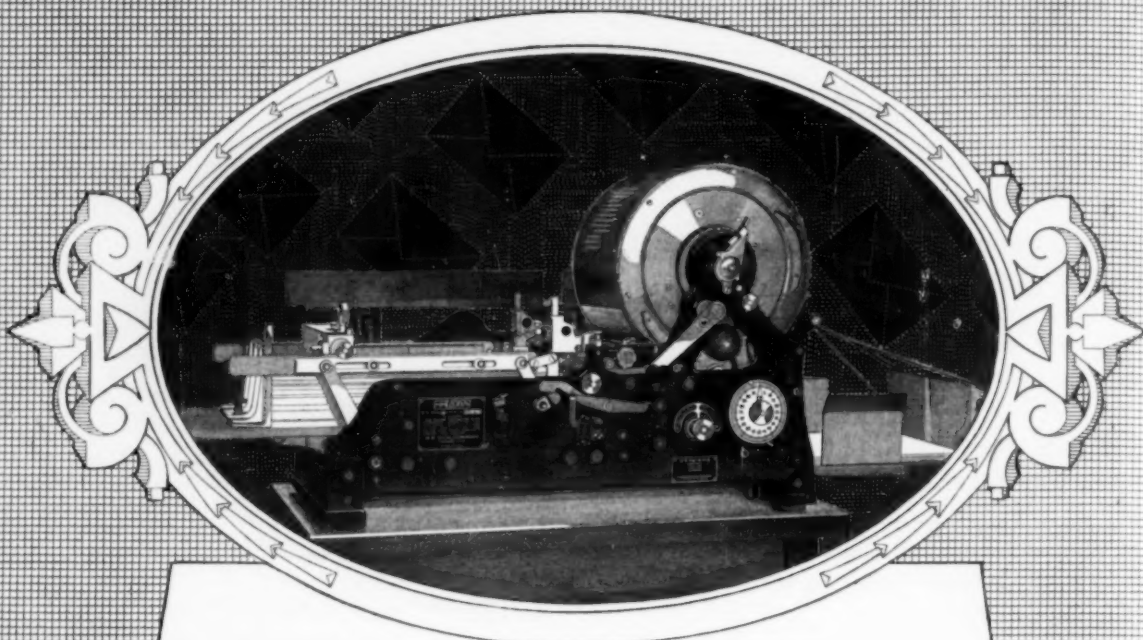
Russia

THERE'LL be 6,000 more American workers going to Russia this year; if they want to get along they'll have to be good teachers, good campers, and take their pay in roubles. (page 36)

AMERICAN banks discount Soviet paper only "with recourse," but one broker in particular will purchase Amtorg acceptances with European money. (page 31)

Economist

WILY George Washington Hill, tobacconist, trots out old Bull Durham from retirement to satisfy the "roll-your-own" smokers. (page 37)



INSIDE THE ENVELOPE

An unopened letter always holds a mystery. What's inside? That's a question—perhaps even an adventure. If it's cleverly illustrated, it was probably done on the Mimeograph. By simply tracing on the stencil sheet, almost any line drawing can be quickly duplicated. A distinctive Mimeograph feature! Illustrations, charts, forms, bulletins, diagrams, maps, etc.—anything written, typewritten or drawn in line—speedily reproduced by hundreds and thousands at highest speed and lowest cost. That's why business the world over is using the Mimeograph today as never before. And that's why you should learn more about it now. Banks, railroads, schools, and industries of all sorts are daily achieving new economies by mimeographing needed form sheets. » » For full particulars address A. B. Dick Company, Chicago. Or 'phone branch office in principal cities; see Mimeograph trademark heading in classified directory.

M I M E O G R A P H



THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending August 29, 1931

Britain Rides Out One Storm But Knows More Are Ahead

Business men feel emergency government must stay 2 years to accomplish real results

LONDON (Cable)—Britain has triumphantly overcome her immediate peril. The near view shows her in immeasurably better position. The long view is not so bright. No fundamental problem has been solved permanently; there are great difficulties ahead. That is why the markets reserve judgment and display only moderate optimism.

MacDonald, as Premier of the National government formed by Labor, Conservatives, and Liberals to meet the financial emergency, faces the massed, angry opposition of the Trades Union party to his program of drastic economies and some taxation to balance the budget.

Broadcast Well Received

The Premier's first announcement over the radio, promising a cut of 10% in the dole, was well received. Sterling, without artificial help, jumped over all gold points.

First financial measure will be a large loan, probably \$500 millions. This will be followed by conversion of the war loan at the first convenient opportunity.

It was taken for granted such a loan could be arranged, with New York City banks taking the major share on a short-term basis, later to be converted to long-term.

Economies—the reduced dole, reduced government salaries, reduced expenditures by all departments—are expected to save \$350 millions yearly. Increased taxes will be made to equal this sum. Thus the budget will balance without decreasing sinking fund payments.

Snowden at the Exchequer probably will be able to block any tariff proposal, but the Tories eventually will go to the polls on this issue—whenever the emergency coalition breaks up.

With the exception of the Trade Union party, the country is behind the government. The Guilford dole

drawers, as a gesture, have memorialized the Premier with their approval of a dole cut as the unemployed's share in the national sacrifice for restoration of prosperity.

The great question is, will the government remain for long enough to restore industrial equilibrium as well as balance this budget?

Its first intention was to resign after a few months, upon achieving budget



Underwood & Underwood

STILL LEADER — Premier MacDonald in a radio appeal told the nation that confidence must be restored, that "the commerce and well being, not only of the British nation, but of a large part of the civilized world, has been built and rests upon the confidence in the pound sterling."

balance plans. It now is the general opinion that a short tenure is dangerous and that it must keep office two years until its measures fructify beneficially. Otherwise working-class resentment when economy pinches may result in the return of Henderson and a Trade Unionist government with intent of reversing present measures. Business cannot afford any such uncertainty.

Efficiency Predicted

As the new cabinet is reduced from the old average of 20 to 10, with the heads of spending departments largely excluded, and since the method of legislation may largely be by orders in council, thus short-circuiting Parliament, the expectation is that other than financial reforms may be launched, giving Britain a new model government with a small executive, able to deal with economic and industrial problems without delay.

MacDonald took the first opportunity to deny that the change is due to any bankers' conspiracy or ultimatum, but Henderson, now leading Trade Unionist opposition, is said to be determined to appeal to the working class on the story that the crisis was forced by the money-spinners for their own gain after the situation had been caused by their own banking ineptitude. The *Daily Herald*, now a Trade Union organ, already runs the story of attempted dictation by American bankers to compel the dole cut and wage cuts as conditions of further credits. This, of course, is denied by bankers on both sides of the Atlantic Ocean.

The anti-financier cry undoubtedly has been a large factor in isolating MacDonald, Snowden, and Thomas from the bulk of the Labor Party, causing Henderson to control an unexpectedly large following.

This makes nationalized banking a certain issue if or when Henderson ever wins a majority at the elections.

Any Banking Help Must Be Continuing

EUROPEAN NEWS BUREAU (Cable)—No one appears to know exactly how solvent Britain really is. No figures exist beyond very uncertain and antiquated estimates. The *Economist* puts

British current foreign obligations at £2 billions, British foreign assets at the end of July at £3.1 billions, leaving a 50% surplus. Unfortunately the bulk of Britain's outward obligations are on short-term, the bulk of her foreign investments are on long-term and of questionable value as a result of the depression.

In short, her assets cannot be readily mobilized, or only at heavy loss, demoralizing world security markets, while the bulk of her obligations are callable on short notice. In this situation there is probably inherent solvency but also a danger of a momentary bankruptcy upsetting creditors.

The Stitch in Time

In giving further foreign support to sterling, relatively small amounts advanced by other central banks could accomplish now what no amount of money could achieve later. But when the United States steps into the breach, it should be with realization that, in Britain, as in Germany and more or less throughout Europe, it is dealing not

merely with momentarily acute situations but with fundamentally disorganized underlying conditions.

To help once or twice may not be enough. It must be prepared to help consistently and promptly in the event of further relapses and over an indefinite period until national equilibriums can be restored.

Continuing Credit Vital

Unless it is so prepared, it would be almost better to leave European conditions to their own fate, since to advance sporadic emergency credits without the intention of seeing the situation through would probably result merely in a loss of such credits advanced to no ultimate gain.

In a situation turning upon confidence as much as upon actual circumstances, the knowledge that the United States was determined to go to every reasonable limit under reasonable conditions to prevent the gratuitous collapse of any key country or currency would, in effect, remove much of the occasion for helping at all.

Britain's Plight Is Crisis Of Profound Social Struggle

She must choose between socialism and world financial supremacy—she can no longer have both

THE storm-center of the deflation typhoon that has been raging in Europe since May shifted this week to Britain and the City of London, the citadel of international finance.

It began to move in that direction during the German crisis in June and July, in which England was more deeply involved than any other country. Seeing this, foreign interests with funds in London began to draw them out, through France, Holland, Switzerland. French financial pressure-politics played a part, and some British money itself began to seek safe harbor abroad against the threatened storm.

Run on Threadneedle Street

A run on the Bank of England's gold reserve began. Sterling exchange fell below the point at which gold could be profitably brought here, but American banks refrained from importing any. France and other countries did not refrain. To meet the gold-drain and the strain on sterling, the Bank of England first raised the discount rate from 2½% to 4½%, sold securities.

Twice it sought government authorization to increase its "fiduciary issue"—currency not backed by gold—finally got a joint credit of \$250 millions from the Federal Reserve Bank of New York and the Bank of France, which it was to use in buying sterling bills as it found necessary to support sterling exchange.

Pledges to France

It had to pay France for this help by some political pledges, probably of support on the reparations issue, and both creditors by promising that the government would proceed to balance the budget.

This transformed the issue from one of private finance into one of public finance and internal politics. That issue was raised openly by the report of the government's committee on national expenditures, published July 31, which forecast a deficit of \$600 millions for the next fiscal year and recommended drastic economies, notably cuts in salaries of public servants, abandonment of roadbuilding outlays, reduction of un-



Wide World
STANLEY BALDWIN — Long the leader of the Conservatives, the new President of the Council (the Privy Council, the King's advisers) will steer in Parliament the National government's bifold program for greater economies and further revenues

employment benefits, conversion of the public debt to a lower interest rate basis.

All these economy recommendations were taken by the mass of workers as a demand for general wage reductions and an attack on the present standard of living.

A Fundamental Split

A sharp conflict of opinion on fundamental economic policy, extending into the Cabinet, split the British public and this week precipitated resignation of the Labor Ministry and the formation of a new national ministry composed of all parties to meet the emergency.

One group, backed by the powerful trade unions, is against any further deflation such as is implied in reduction of government expenditures and has

come out flatly for inflationary measures to raise the internal price level, involving abandonment of the gold standard, if necessary.

The other insists that British credit can be maintained only by balancing the budget through (a) drastic economies, (b) by applying some form of protective tariff, and (c) by reducing wages to stimulate exports.

The Labor government last week sought to formulate compromise proposals, involving particularly taxes on fixed interest securities and a flat revenue tariff, which would have deflated the real income of bond holders by taxation and that of wage earners by raising internal prices; but international financial currents were washing away the financial supports of the "City" too rapidly.

Trouble Well Advertised

The economy report, the consequent conflict, and incautious statements of cabinet officials had advertised the financial uncertainty abroad even more alarmingly than at home. The dignified London *Times* helped prod the government into action by saying that the foreign credits were exhausted, which wasn't true. The seriousness of the fiscal crisis was exploited for political purposes both in France and in England.

The pressure on sterling was steadily increased by drains of funds through Holland, Switzerland, and the Scandi-

navian countries. The value of the pound was held steady in the United States and France only by use of central bank credits, and those from France were nearly exhausted, though not those from the U. S. Some emergency action became imperative. The big London banks attempted to pool their foreign balances to support the pound but gave it up for fear of runs, and put the issue up to the Cabinet, spoiling its weekend and precipitating its resignation.

Parallels German Crisis

In broad outline the British situation parallels that in Germany last month, except that the danger of social revolution is less imminent. Both countries have been subject to a run by foreign creditors—and to a certain extent by their own investors—due to lack of confidence. Both have been borrowing short-term funds on a large scale and lending them on long-term, Germany mostly at home, but partly in Russia, England abroad and chiefly in Germany. World-wide depression has immobilized these funds; decline of exports and, in the case of Britain, depreciation of foreign investments, has curtailed income from abroad with which to meet foreign obligations. England has been especially hard hit by the freezing of her credits in Germany.

The budgetary aspect of the problem is so important in Britain for several reasons. The prospect of heavier income taxation to meet continued large

social expenditures would lead to a flight of capital. To meet them by further borrowing at home would unduly strain the resources of the Bank of England, compel inflation, and impair the position of fixed income receivers.

Lenders Need Assurance

Budget requirements could not be met by floating a large loan here, either for additional funds or to refund existing debt at a lower rate, if American investors were not assured of some effort to balance the budget by drastic economies. Thus the fiscal situation and the financial position of England are inseparably related; hence the insistence of the Bank of England and of the other central banks upon fiscal rectitude.

The outcome and consequences of the crisis are hard to foresee because it is more far-reaching than any in Britain's history, and because London is the crucial link in international finance.

A breakdown of ability to meet all demands in London, followed by failures of financial houses, then trading concerns, then manufacturers, would necessitate abandonment of the gold standard by embargo on gold exports and drastic government control of foreign exchange and imports as in Germany. This would involve a staggering increase in British unemployment and possible social disturbance, large-scale selling of securities abroad in the effort to mobilize foreign assets, paralysis of international trade and further collapse of commodity prices as exports of raw materials to England were checked. American cotton, wheat, and copper would particularly suffer. England is our best foreign customer not only for raw materials but for every sort of American product.

American Aid Certain

It is certain, however, that American financial resources will be available to support Britain to the limit of possibility in temporary emergency, and especially to finance the normal movement of American raw materials. Among all the unexpected things this depression has produced, a breakdown of British finance is the most nearly inconceivable. Britain is still the largest creditor nation in the world, with enormous resources that can be mobilized to meet a temporary short-time debtor position.

Every imaginable effort would be made by international financial interests and by Britain to prevent loss of confidence in the value of the pound. Even more than the dollar, it is the international currency of trade. By vir-



NUMBER 10—Behind the plain brick front of the modest little house in Downing St., Britain's statesmen combine to save her. As usual in a crisis, crowds gather outside to await results of their negotiations



TRANSCONTINENTAL TRUCK—The Southern California Freight Lines begins a transcontinental run to test the practicability of long-haul package freight service. The 22-wheeled General Motors truck and trailer has a Frigidaire compartment for perishable fruits and vegetables

tue of this fact, England makes a good part of her living out of the services of London as an international financial center. But whether Britain will be able to balance her budget in face of the fundamental conflict between the creditor and the labor interests at issue is doubtful. If she does it will be at risk of a social upheaval; if she does not it will be at risk of her international financial standing.

In the end it will be possible to

maintain the value of the pound only by fundamental changes in her industrial organization or in world business conditions which will enable her to increase her exports and earn enough to provide a margin with which to meet her external obligations at all times. This will take time.

In the meantime she can be supported by other nations, if there is some assurance that the effort will not be in vain.

That Wheat-Coffee Swap Seems, On Second Look, Not Too Bright

BRAZIL has a mountain of coffee, bought by the government to boost prices—a scheme that failed. The Farm Board has a mountain of wheat, bought to boost prices—a scheme that failed. Brazil grows no wheat; we grow no coffee. Brazil has no gold, we need none.

Why not swap?

This line of reasoning it must have been that inspired the Farm Board to seize eagerly upon the suggestion offered by a New Yorker—one H. C. Winans—and push a deal through. We swap 25 million bushels of wheat for 1,050,000 bags of coffee.

The board was right in figuring that no farm voters would get sore. But, to its hurt surprise, a storm of criticism whirled up from other sources.

First, American shipowners, angry when they discovered they would not carry the big total of tonnage. Brazil, it appears, is paying the freight; insists upon using ships she controls. But the President himself is said to be annoyed that the Farm Board did not try harder to get this \$2 millions of business for our ships.

Second, the coffee trade. True, we grow no coffee, but its importation, processing, and sale is a sizeable business. Where does the trade get off now? Here is 10% of our annual consumption. The Farm Board becomes the biggest single owner of coffee in the United States. At what price will it sell? Who can now buy or sell coffee with any confidence?

Third, and most devastating, the grain trade. This 25 million bushels of wheat represents two-thirds of Brazil's annual consumption. She formerly bought her requirements from Argentina. The deal simply means that Argentina now must sell 25 million bushels somewhere else, competing against us.

Also, the grain trade pointed out with a wry grin, the Farm Board must have been dismayed to discover it had revised downward the price of wheat. Chicago pit traders, who are very quick at mental arithmetic if it's not too complicated, noting the basis on which the board is willing to sell wheat, divided the price of a bag of coffee by 25, and promptly dropped wheat prices to that level.

Why Not Liverpool?

Net effect, the Farm Board might better have dumped its 25 million bushels direct into Liverpool for cash. Influence on prices would have been the same; it would not have disturbed existing channels of trade; it would have given freight to American ships; it would have kept Uncle Sam out of the coffee business.

But, of course, it would have raised a howl from farmers, and farmers out-vote shipowners, coffee men, and grain traders.

The Farm Board ventures some answers to all these criticisms.

It got better terms for its wheat by letting Brazil carry the freight. (That means it got rid of less wheat; acquired more coffee.)

It will not sell any coffee until the fall of 1932. Then marketing will be "orderly"—so much a month. (Could not the wheat have been sold in 1932 in orderly, monthly instalments of pre-announced size?)

The board just doesn't believe this replaces 25 million bushels of Argentine wheat. The Brazilian nation is going to increase its wheat eating. Brazil in effect has said so, herself.

Canadian Wheat Farmers Leave Pools, Enter Market

OTTAWA (Special Correspondence)—Farmers of western Canada will sell their wheat this year in the open market.

Unable to finance their operations otherwise, the wheat pools of the 3 prairie provinces have been forced to abandon their contracts with the farmers and adopt the open market system of the line companies.

The pools will operate as ordinary trading corporations but will retain the

initial payment plan for those farmers who want it in order to preserve a semblance of the pool system. The government, which is guaranteeing the financing of the entire crop, has consented to this.

This plan of initial payments is the last desperate effort of the pools to remain in existence, but it is expected that less than 15% of the wheat pool farmers will market their wheat on that basis.

The initial pool payment to those farmers who prefer to continue under this system will be 35¢, which, with the federal bonus on 5¢ on all wheat, will give them 40¢ down.

Trade Code Revisions Protested But Accepted

DESPITE reported opposition to the Federal Trade Commission's revision of trade practices, important industries continue to accept its decisions. Within the past few weeks fertilizer, crushed stone, concrete mixers and pavers, face brick, and steel fabricating groups have accepted their revised codes.

As in other revisions, Group I rules retained apply to practices which have been declared in violation of the anti-trust laws by various court decisions. Some Group I rules have been rewritten to a standard form developed by the commission which ignores special conditions within an industry and definitely limits the scope of the rules in their application to violations.

Standard Rules

In the steel fabricating code Group I rules pertain to inducing breach of contract, false branding, deceptive advertising, secret payments of rebates, price discrimination, commercial bribery. Group II rules apply to trade definitions, publication of price lists, arbitration, standard forms of contracts, cost determination, terms of sale.

The face brick industry's Group I includes rules against the same practices as in the steel fabricating code and this similarity in Group I rules applies more or less generally throughout all the revisions. While most trade association executives admit that the new rules are not as effective as they might be and drastically curtail the industry's power to regulate itself, they appear to be accepting the revisions as much better than no codes at all and to place their hopes in future developments in anti-trust laws or in a reorganization of the commission's powers and practices.

Farm Board's Cotton Plan Reaps Another Surplus

Alternate suggestions range from seed pools to free shirts and 2 mattresses per bed

IF one of the objects in proposing the ploughing-under of one-third of the cotton crop was to stimulate thinking along other lines of cotton restriction, the Farm Board has succeeded beyond its fondest dreams. Over 300 proposals have been submitted by cotton farmers, traders, politicians, economists and business men, all of whom believe that they have hit upon the one sure solution.

One of the most intriguing schemes comes from a man prominent in the cotton trade. He is convinced that the way out would be for the government to convert its entire cotton holdings into yarn. The cotton mills would be induced to do the spinning at cost. They would benefit by being able to operate full time; the workers, by employment.

Typical of proposals more theoretical than practical is one that would require all farmers to pool all of their seed under the control of state governments. Rigid curtailment of planting would be

accomplished by dispensing only a limited amount of seed.

"Buy another bale" ideas are plentiful. One proposes that every family go on a 2-mattresses-per-bed basis. The instigator of another plan, which would provide cotton shirts at government expense, has informed the President that he would come to Washington to explain on receipt of railway fare.

Following the announcement of the Farm Board proposal, Governor Long of Louisiana called a New Orleans meeting of the cotton state representatives to discuss control of the 1932 crop. This conference adopted resolutions calling for state legislation prohibiting cotton growing in 1932, endorsing Senator Caraway's proposal that the Farm Board buy 8 million bales, at a price higher than the current level, from farmers who agree not to plant next year. The Louisiana legislature is in special session considering restriction.



TRANSCONTINENTAL TEST—At this spring-supported instrument table, an engineer will sit day and night to record the conditions on the test run

Wide World

States Rights, Not Martial Law, The Real Key to Oil Control

Governor Murray has won his \$1 a barrel but only the Supreme Court can make state prorationing stick

GOVERNOR William H. ("Alfalfa Bill") Murray of Oklahoma, called a political quack by his opponents and proud of his demagoguery, has accomplished something which for months has defied the efforts of the best minds of the federal government and of the great petroleum industry.

Quotations of \$1 a barrel for Oklahoma oil have been made by several important purchasers. It seems only a matter of days before all the big crude buyers of the state will fall in line and permit the governor to remove the armed lid he has clamped down upon prolific wells of the state.

Following Oklahoma's example, (BW—Aug 26 '31) Governor Sterling of Texas has curbed the enthusiasm of East Texas operators, brought under complete control conditions which, for the past 6 months, have been progressively and utterly demoralizing the entire industry east of the Rockies.

Under a threat of martial law, as applied in Oklahoma and Texas, Governor Woodring of Kansas has shut down the Ritz-Canton pool of that state which produces some 20% of total Kansas output.

Extends Campaign

Governor Murray started out to bring \$1 oil for Oklahoma; now he extends his plan to force \$1 oil on the Mid-Continent region, believing rightly that Oklahoma producers cannot long maintain prices above those asked in neighboring states. There is every indication that his wish will be granted.

With over 1 million barrels of the normal 2½-million barrel daily requirements for crude shut in, the pinch of declining supplies and stock withdrawals will be felt with increasing keenness as the days pass. Throughout the Mid-Continent district there have been general price increases which have brought East Texas postings to 68¢ a barrel with the average price for other Texas oil at 70¢. Similar increases have been made in Oklahoma, Kansas, and other Mid-Continent markets which, when one remembers that only 3 weeks ago average prices were below 20¢, bespeaks the great effectiveness of the drastic Murray methods.

The only difficulty is that this is no permanent solution for the industry's problems. Sometime wells must be reopened and unless suitable regulatory measures are then available, conditions are likely to return to what they were a month ago. The industry will not feel safe until the new Texas regulatory law has been thoroughly tested in the courts and found to be valid. Unless the East Texas pool can be brought under strict control, other efforts to stabilize the Mid-Continent field will be futile. Not only must the flow of present wells be regulated but many believe that drastic limitation upon new well drilling is an essential element in any permanent solution.

Court Battles Imminent

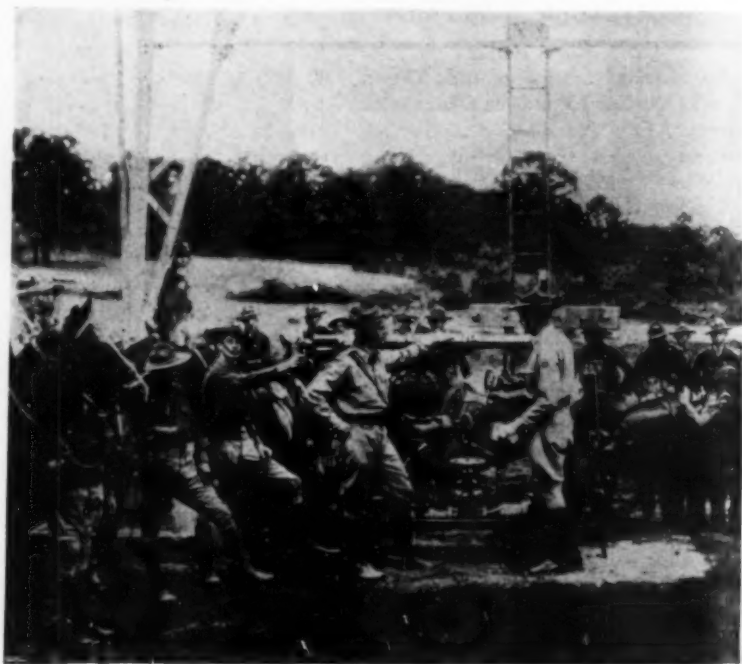
There are promises of bigger and better court battles over proration laws in the near future. Despite the satisfaction of most oil operators with prorationing, there remain enough important interests opposed to such measures—or, at least, opposed to the particular methods of application in use—that attempts to

break down the new Texas law seem assured along with further attempts against the Oklahoma and other laws.

So far, the question of the constitutional right of a state to impose restrictions upon oil output has never been studied by the Supreme Court. An appeal from inferior court decisions, most of them upholding proration laws, is the next step expected of the opponents of regulation.

Latest judicial opinion on the subject was that handed down a few weeks ago by a 3-judge federal district court of Oklahoma which upheld the state law of 1915 against the complaint of the Champlin Refining Co. The court held that a state has a right to impose reasonable restrictions against the waste of unreplaceable natural resources; that it has the further power to protect the co-equal rights of owners of land in a common pool of oil from which a single operator, failing restrictions, might drain most of the oil lying below his neighbor's leaseholds.

To hazard a guess as to a possible decision of the Supreme Court is perhaps the height of futility, yet it is of interest to set up a background of facts and judicial opinions upon which their decision must rest. Most important point is, that regulation of oil is chiefly a question of states rights. Shall individual states be permitted to take steps they think proper to protect their natural resources? The present membership of



THE CAVALRY TAKES A WELL—At Kilgore, Texas, rough-riding cavalrymen succumbed at dawn, shut in the oil wells without firing a shot



The Business Week

FLEXIBLE TRAFFIC CONTROL—Its yellow rubber letters are vulcanized into the black rubber panel which is anchored into the pavement, directly in the line of vision, night or day. These signs don't interfere with traffic, need no repainting, can't be obscured by snow or parked cars; they bend, without damage when cars pass over them. General Tire & Rubber Co. has acquired patents, will manufacture and distribute them.

the Supreme Court has been generally favorable to states rights; perhaps its most memorable decision of this type was in support of the Indiana chain store tax law (BW—May 27 '31).

The industry as a whole; the government, represented by the Federal Oil Conservation Board; and virtually all petroleum experts are in agreement that regulatory laws are essential to prevent the collapse of the oil industry.

Cause of Distress

The new Texas law was apparently written with a court test in mind. Despite the protests of many leading operators, it does not include a "market demand" feature for determining waste. Operators pointed out with justice that much of the present distress in the industry has been caused by utter disregard of market requirements in scheduling production; that waste of oil can be prevented only by consideration of this factor as well as that of actual physical waste of gas and oil. But Governor Sterling's legal advisors surmised that a clause limiting production to demand and thus having a direct effect upon prices would be much more susceptible to court censure than one which bases its claims for regulatory powers on prevention of physical waste.

Oil, Sick of Overproduction, Is Trying the Merger Cure

WITH 2 giant mergers in the making—one promises to become the world's largest industrial with assets of \$2.4 billions—and many smaller groupings under discussion, the oil industry wonders if a general consolidation movement is to be the final answer to overproduction and price-cutting.

Standards May Merge

Interest in several smaller combinations and in renewed proposals for the formation by Sinclair interests of a \$1-billion corporation with Tide Water Associated Oil Co., Prairie companies, and a few others has been overshadowed by reliable reports that active negotiations are going forward for the merger of Standard Oil Co. of New Jersey and Standard Oil Co. of California.

When negotiations were opened 2 years ago for the merger of Standard Oil of New York and Vacuum Oil Co. it was recognized that the Rockefeller and other interests behind the Standard companies were interested in a realignment of the concerns separated by the

Estimate an Increase In Motor Fuel Demand

THE report to the Federal Oil Conservation Board by the Voluntary Committee on Petroleum Economics indicates that the last half of 1931 will bring a 3% increase in total motor fuel demand over the same period of 1930 caused by a 7% increase in domestic demand and offset by a 24% decrease in export shipments.

To meet this demand refinery production must be increased about 4% to make up for expected declines in imports and amount of gasoline drawn from storage. Refinery through-put of crude oil will also be pushed up while exports of crude are expected to increase.

The committees' estimates have proved very reliable. Its advance figures on motor fuel demand for the second quarter were only 200,000 bbl. below actual demand in a total of 120 million bbl. Motor fuel production was 2% greater than the estimate for the same period. It is upon this estimate and a similar one made by a committee of the American Petroleum Institute that plans for prorating many of the oil fields are based and upon which the industry bases its future plans.

1911 decree. Union of the New Jersey and California companies has been on the list but it is only since full consummation of the Socony-Vacuum merger that active negotiations have been advanced.

Apart from its prospective size, this merger has excited special interest because it would bring together the mother of the Standard brood and one of the offspring forcibly removed just 20 years ago.

Investigation Usual

The Department of Justice is making the routine anti-trust law investigation applied to all contemplated mergers of great size. However, observers believe the gates are down for such re-combinations of old Standard units so long as they follow the Socony-Vacuum plan of establishing the fact that there is no direct competition—or only a relatively small amount of it—between the merging concerns.

In the case of Socony-Vacuum some direct competition was evident—in both



International News

FIREPROOF?—This southern coal company built its office of its product—hard coal—set in concrete 8 inches thick. It never needs painting

lubricants and gasoline. Despite this, the merger was permitted to go through. There is virtually no competition between the New Jersey and California companies. The former has a tremendous export business but confines its domestic sales to the Atlantic Coast. The latter sells throughout most of the Western states, in Mexico, and Hawaii.

A Perfect Fit

The 2 companies would fit together ideally. Standard of New Jersey has crude oil resources in Canada, Mexico, South America, the Dutch East Indies, Europe, and in all domestic fields except California. Standard of California is the largest crude producer in the world, owns about 50% of the prolific and rich Kettleman Hills field in California, besides productive oil land in Mexico, Colombia, and Venezuela.

Assets of the New Jersey company are about \$1.8 billions, of California over \$600 millions. Since stocks of the companies are selling at about the same price, around \$40, present negotiations look to a share-for-share exchange, thus greatly simplifying the task of getting stockholders' approval.

The second important merger under discussion has been in the air for nearly 2 years. Last summer (BW—Jul 30 '30) when Sinclair sold his crude oil and pipe line companies to Standard Oil of Indiana—since renamed "Stanolind" companies—it was generally believed that he had made arrangements to replace them by Prairie oil purchasing and pipe line companies.

Negotiations fell through, as did those with Tide Water Associated Oil Co., but are now being renewed with many indications of success. An early merger would materially help both Sinclair and Prairie. With the sale of its own oil purchasing and pipe line companies, Sinclair has been more or less at the mercy of competitive agencies, a not too happy situation for a concern which markets its products in 30 states and many foreign countries. Prairie companies need the market offered by Sinclair's widespread distribution system for their oil production and purchases as badly as Sinclair needs them. Recent developments in pipe line extensions have taken away many

Prairie customers (BW—Jan 14 '31). Tide Water is one of the leading independents and is a completely integrated concern with wells in the Mid-Continent field, California, and Pennsylvania; 6 refineries with 147,000 bbl. per day capacity; some 1,100 miles of pipe line; widespread retail markets along the Eastern seaboard, in Western and Pacific states; a series of nationally advertised products such as Tydol, Veedol, Associated.

Third Consolidation

A third consolidation of minor financial importance but significant of the general trend is the acquisition of Solar Refining Co., Lima, Ohio, by Standard Oil Co. of Ohio, which has been approved by directors and awaits stockholder ratification. Solar is an old Standard unit, was formed to supply refined products to Standard units, was separated from the parent company by the 1911 decree. It has always sold virtually its entire output to the Ohio Standard company.

What makes this move especially interesting is the belief in petroleum circles that Standards of Ohio and of Kentucky are scheduled for inclusion in the final set-up desired by the New Jersey company. Many thought acquisition of these 2 would precede negotiations with the California unit. Both Ohio and Kentucky companies are marketing concerns only and would go far to fill in the voids left in a national marketing program by the merger of the Standard Oils of New Jersey and of California.

With these 2 distributors included in the group, the new oil colossus would be on a par with Shell and Texas, with complete nation-wide distribution of refined products.

Vacuum Cleaner Makers Find New Models Harder Selling, Pay

RECORDS of vacuum cleaner manufacturers for the first 6 months of 1931 indicate that a satisfactory sales volume has been difficult to achieve. Timely adjustment of merchandise and sales policy in line with the shifting trends of buying has proven the only effective method of meeting the situation.

A survey of the industry by *The Business Week* indicates that sales promotional activities have had much to do with success or failure. Manufacturers who cut down sales expenses show the

greatest loss in volume, while those making and continuing an aggressive attack have reported more or less satisfactory results.

As has been experienced in other lines of consumer goods, new models immediately build better morale in the sales organization, stimulate increased consumer interest, help sales volume. One large manufacturer has maintained volume at 80% of 1931 totals, or considerably above average, by introducing 3 new models, of which 2 are higher in

price than the models they replaced. Another found it productive of extra sales to promote the 2-cleaner idea, advances sound reasons why every household should have one cleaner for rugs, carpets, etc., and a handy lightweight companion unit for cleaning upholstered furniture, curtains, draperies, mattresses.

Specific reports of several important manufacturers, all of whom requested that they be quoted without identification, supply interesting material.

Company No. 1 is one of the largest units in the field, has neither developed new models, changed prices, nor selling policies. It cut promotional expenditures by 66%. Its sales for the first half 1931 are reported 45% under 1930.

Company No. 2, one of the oldest and largest, brought out a completely new line of 1931 models, raised some prices to cover extensive improvements, lowered no prices, spent 5% less on sales promotion. It found 1931 sales only 20% under 1930 and expects the second half of 1931 sales to be ahead.

Company No. 3, with an outstanding performance record, reports that its products are constantly improved and refined without any drastic or abrupt changes in model, that its sales policy has remained constant for years, that its appropriations for sales promotional activities in 1931 were increased, and 1931 sales were 15% under 1930.

Company No. 4 is a pioneer in the industry, manufactures vacuum cleaners for sale under its own brand as well as for private brand sale by large national distributors. It has introduced no new models and pursues substantially an unchanged sales promotional policy. It reports that 1931 sales were only 12% under 1930 total.

Big Increase

Company No. 5 has been in the field for a number of years, brought out a new model during 1930, concentrates its selling attack on territory where it knows economic conditions favor sales, continues its original sales policies, has not raised or lowered its selling price, increased its expenditures for sales promotion. It reports a 55% increase in dollar volume and number of units sold.

British Food Chain to Try Piggly Wiggly System

KROGER GROCERY & BAKING CO., controlling through a subsidiary the manufacture and use of Piggly Wiggly self-service store equipment, announces that one of Great Britain's largest food chains has obtained license to install Piggly

Wiggly equipment in several of its stores.

At present no self-service stores of the Piggly Wiggly type are in operation in the United Kingdom. The licensed company proposes to open experimental stores in London and at other points in southern England. Costs of operation, consumer reaction, turnover, profit-making possibilities of the self-service

system are to be studied closely. If results approach reasonable expectations the use of the system will be greatly extended.

In the United States nearly 2,800 Piggly Wiggly stores are now in operation. The licensing company owns the factory in which the self-service equipment is made, and its use is being continually extended.

Sears, Roebuck-Montgomery Ward Merger Talk Again Revives

Changing conditions in the field make consolidation seem more logical than ever before

CONSOLIDATION of the country's largest mail order houses, Sears, Roebuck & Co. and Montgomery Ward & Co., rumored frequently, always officially denied, again is reported definitely under way. Representatives of J. P. Morgan & Co. are reported actively engaged in trying to arrange financial details.

It is possible to reason from the performance records of the two concerns, that the developments of the last 3 years and present economic conditions

have produced a favorable moment for consummation of this merger. There seem to be exceptionally strong reasons why since early 1930 rumors of it have cropped up more frequently, more persistently, while denials of its possibility have become less vehement.

Both concerns have for some years found that good roads, chain stores, improved methods of independent retailers were increasing resistance to mail order selling. Both decided in 1927 that to offset these detrimental effects,



ROLLING SAMPLE ROOM—The Chicago Mail Order Co., largest mail order house without retail stores, uses this travelling show room to display the actual merchandise. Sales are from sample for C.O.D. delivery. Here a farmer is being shown the shoe described in the catalogue

and to maintain position and sales, retail stores would have to be established in large numbers.

Sears, Roebuck & Co., largest by substantial degree, by the end of 1928 had 202 such stores in operation; added 127 in 1929; opened 19 more in 1930; has now 380, of which 51 are class A, full-fledged department stores; 29 are class A-m department stores, and the balance smaller so-called "B" and "C" retail stores.

Montgomery Ward & Co. paralleled this procedure; had 297 stores at the end of 1928; added 235 in 1929; then 25 in 1930; now has 557 retail stores of which 17 are complete department stores, and 515 medium in size.

Operating Cost Boosted

However, through such huge store rentals, larger payrolls, and increased advertising, the general operating expenses of both companies have mounted out of all proportion to sales. This has necessitated re-adjustment of policies and price structures. New lines, added as volume- or possible profit-builders, while helpful, were not sufficient to offset the losses. Sears' ratio of net income to net sales dropped from 9.31% in 1927, the year before the retail store expansion began, to 8.41% in 1928, to 7.45% in 1929, to 4.08% in 1930. With 329 stores in operation, net sales in 1930 were but 30% above 1927, while net income was 40% less than 1927.

Montgomery Ward showed still more drastic reaction, and with 1930 total

net sales including those of 557 stores only 30% above 1927, its net income dropped from \$13 millions in 1927 to less than \$1 million in 1930.

However, while both mail order houses have so far found operation of retail stores extremely expensive, the value of their invasion of this field seems demonstrated by the fact that in 1930 Ward's sales through retail stores exceeded those made by mail. Mail sales showed a decline even through the 1929 boom period.

Merging of the two concerns would undoubtedly create one of the most efficient, also one of the largest, retail distributing organizations in existence. While the usual benefits of increased buying power, generally presumed to make mergers in the merchandising field particularly worth while, would perhaps be less in evidence here as both companies have in the past purchased at lowest obtainable prices, other obvious and important operating economies could readily be effected.

Catalogue Expense Heavy

In the mail order department, catalogue expense has constituted a tremendous burden. Sears with a list of 12 million homes, Ward with 9 million names, each has mailed annually 2 large catalogues and 2 smaller "flyers" to that entire list. Nearly 50% of these competitive mailings were to identical addresses. Costing annually approximately \$1.50 per name, the mere elimination of this duplication effects a saving of \$7 to \$8 millions.

Furthermore, consumer buying by mail has been declining steadily. The average size per order has dropped alarmingly, made necessary discontinuance of postage prepayment on orders under \$2. Sales per catalogue are now less than \$25 a year, are approaching the point where catalogue expenditures must be drastically reduced.

Retail Economies

While the two companies have operated retail stores only during the last 3 years, here, too, consolidation would clear the way for important economies. In over 150 cities both concerns have retail stores, could cut selling costs practically in half by elimination of the least profitable units. In nearly 800 other cities where either concern now operates, the consolidation would result in substantial savings.

It is estimated that the present payroll of the two concerns could be cut \$2 to \$2½ millions annually through consolidation, while other factors are expected to save \$4 to \$4½ millions additionally. Distribution costs would probably be materially reduced, as only in Chicago, Kansas City, and Minneapolis-St. Paul have both concerns warehouses, while the remaining 6 warehouses of Ward's and 7 of Sears' are in practical and strategic locations.

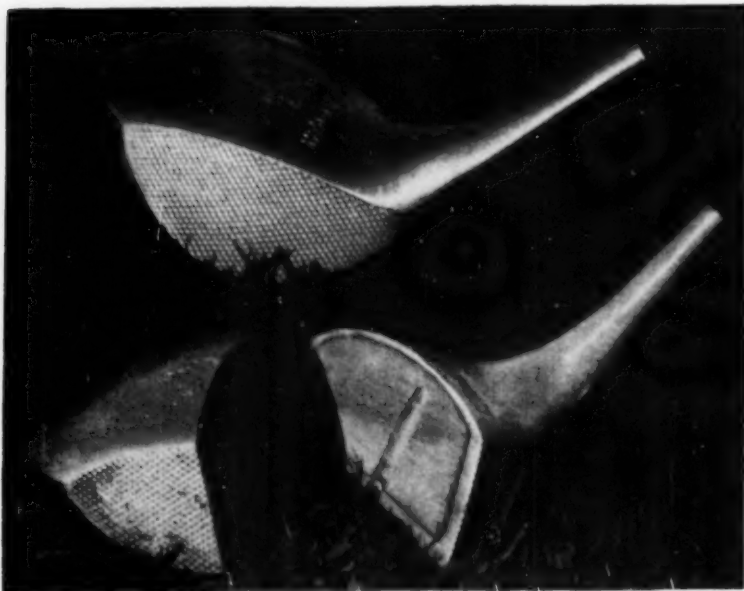
Meanwhile there is speculation as to the probable temporary loss in sales volume. Mail order sales are expected to suffer most, may drop 20%, while retail store sales may show no decline in individual units but only in total, with elimination of duplicating units.

Enough Competition

Interesting is the fact that approval of the merger by the government is considered certain because it can no longer be said that through it competition in the field will be eliminated.

National Bellas Hess Co. is growing into a strong contender for mail order business. In 1927, this company discontinued all general mail order merchandising carried by its predecessor National Cloak & Suit Co., decided to concentrate on wearing apparel. But in 1929 after it acquired control of 50 odd retail stores, some of them carrying a general line, activities in the mail order field were again expanded.

It is considered probable that if the merger is consummated, official announcement may be withheld for some time. Both concerns have just finished mailings of their large 1931-32 winter catalogues, expect fairly heavy fall buying. It is felt that any merger should wait until late December when spring catalogues are mailed.



ALUMINUM WOODS—This new club has a wood core completely enclosed in aluminum. The molten metal is die-cast over the wood, which has been fireproofed to prevent charring, shrinking it for harder hitting

Talking to the man who regularly invests part of his salary or wages in Life Insurance

Metropolitan Life Insurance affords a means of creating estates for families, income in event of accident, sickness or death; of educating children, paying off mortgages, building credit in business and providing ease and comfort after retirement.

Metropolitan Life Insurance serves the man who is building a real Program of Protection for his family or business; the worker who finds it more convenient to pay for protection in weekly or monthly instalments; and the employer who, in cooperation with his employees, protects hundreds of workers under one policy.

For detailed information consult any Metropolitan Field-Man or write to the Metropolitan Life Insurance Company, One Madison Avenue, New York, N. Y.



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Have you taken out enough additional insurance, as your circumstances have improved? Have you figured lately the bare living expenses of your family?

How long could your family live in even a reasonable degree of comfort on your Life Insurance and the amount of money you have been able to save? One year? Five years? Would you willingly leave them without enough to live on after a short period of time?

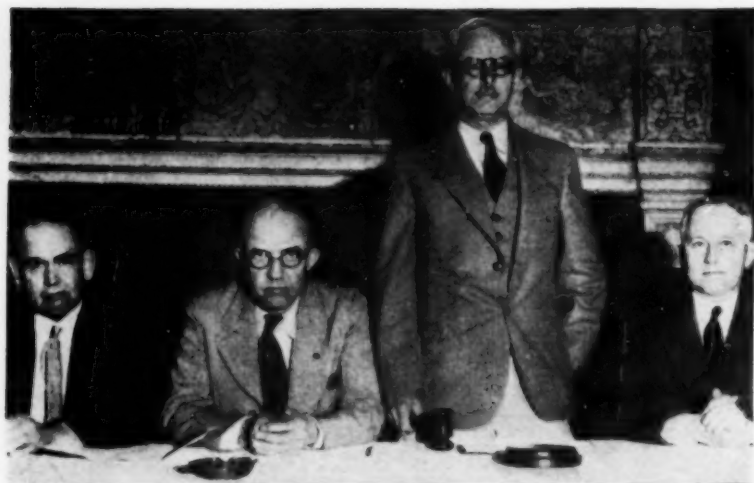
More hardships have been prevented and more comforts provided by Life Insurance than by any other form of financial provision.

Life insurance affords the only way by which a man with a moderate income can be sure that his family will have a substantial sum of money, no matter when he may die.



METROPOLITAN LIFE INSURANCE COMPANY

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International News

LISTENING TO THE SHIPPERS—At the San Francisco hearing, West Coast shippers had their say on the railroad rate raise. Here, left to right, are J. M. Thompson, Idaho Railroad Commissioner; William E. Lee and Ernest L. Lewis, Interstate Commerce Commissioners; W. J. Carr, California State Railroad Commissioner

Shippers Insist Rate Increase Means Decline in Freights

Pleading own poverty, they warn the railroads traffic will go to highway and water carriers

SHIPPERS appeared before the Interstate Commerce Commission at various points throughout the country last week to present their case in respect to the projected 15% rate raise in rail freight rates. Most of them countered the railroads' plea of necessity with the assertion that higher rates would defeat their purpose by driving more freight to water and highway carriers. Not all objected to the increase; several chambers of commerce indorsed it *in toto*, or with qualifications.

The case is now drawing to a close, although the I.C.C. cannot say how long the hearings in Chicago, opening Aug. 31, will last. Final arguments will be heard in Washington and briefs must be filed 10 days after close of hearings.

Tight Margins Emphasized

Industries in all sections have turned out for the regional hearings to emphasize the closeness of the margin of profit, if any, on which they are operating. North Carolina fruit growers; Pennsylvania anthracite producers; California growers; Oregon farmers; West Coast lumbermen, and Mid-West steel mills raised their voices in protest, all asserting that with competition so keen

and prices shaded to the lowest possible level, any added cost in distribution would cripple them.

Central Pennsylvania coal operators maintained that, with coal now holding its present markets over fuel oil and hydro-electric by only the barest margins, higher rail rates would shut off entirely the movement of coal in many directions. Portland, Ore., shippers contended that a horizontal increase would upset existing differentials as between long-haul and short-haul rates, in turn disturbing market conditions. Western lumber merchants, already operating at less than half-capacity, threatened diversion of rail shipments to intercoastal water lines. Just how much fact and how much bluff was represented in the numerous statements concerning the possibility of shipping by truck or water can only be surmised.

Aggressive California

Particularly active were the California Growers' and Shippers' Protective League and the California Railroad Commission, which introduced exhaustive statistical analyses and graphs to support their opposition to a rate

raise by reference to the downward trend in farm values, present costs of fruit marketing, commodity price deflation, comparative rates on fruits and other goods over a period of 14 years, and many other points.

Crux of Problem

Lumbermen, represented by Col. W. B. Greeley, secretary-manager of West Coast Association, got to the crux of the problem in the Northwest in reminding the I.C.C. that by 1928 lower water rates had swollen the volume of water shipments to the Atlantic Coast to 25 times that of 1915, before the Panama Canal was opened. He added that intercoastal lines now receive \$25 millions annually for handling lumber to the Atlantic seaboard, half the amount paid the railroads on lumber to the entire Mid-West and Southwest, and pointed out that West Coast lumber can already be shipped by water to Norfolk or other ports and hauled back inland by rail to points west of Detroit at less than the straight rail rate from the Pacific Coast eastward. The last point came close to the question of long-and-short haul rates, moot question with the I.C.C. and a fighting term in the Northwest.

The commission will soon have Ex Parte 103 on its hands for a decision without benefit of further hearings. It has seldom faced a more involved case for adjudication; never one in which economics, rather than "cost of service," played the leading role.

Pullman Tries Bargain In Coast-to-Coast Rates

ON each of the 5 Saturdays from Aug. 29 to Sept. 26, round-trip sleeping-car rates between Atlantic and Pacific coast cities will be reduced 25%.

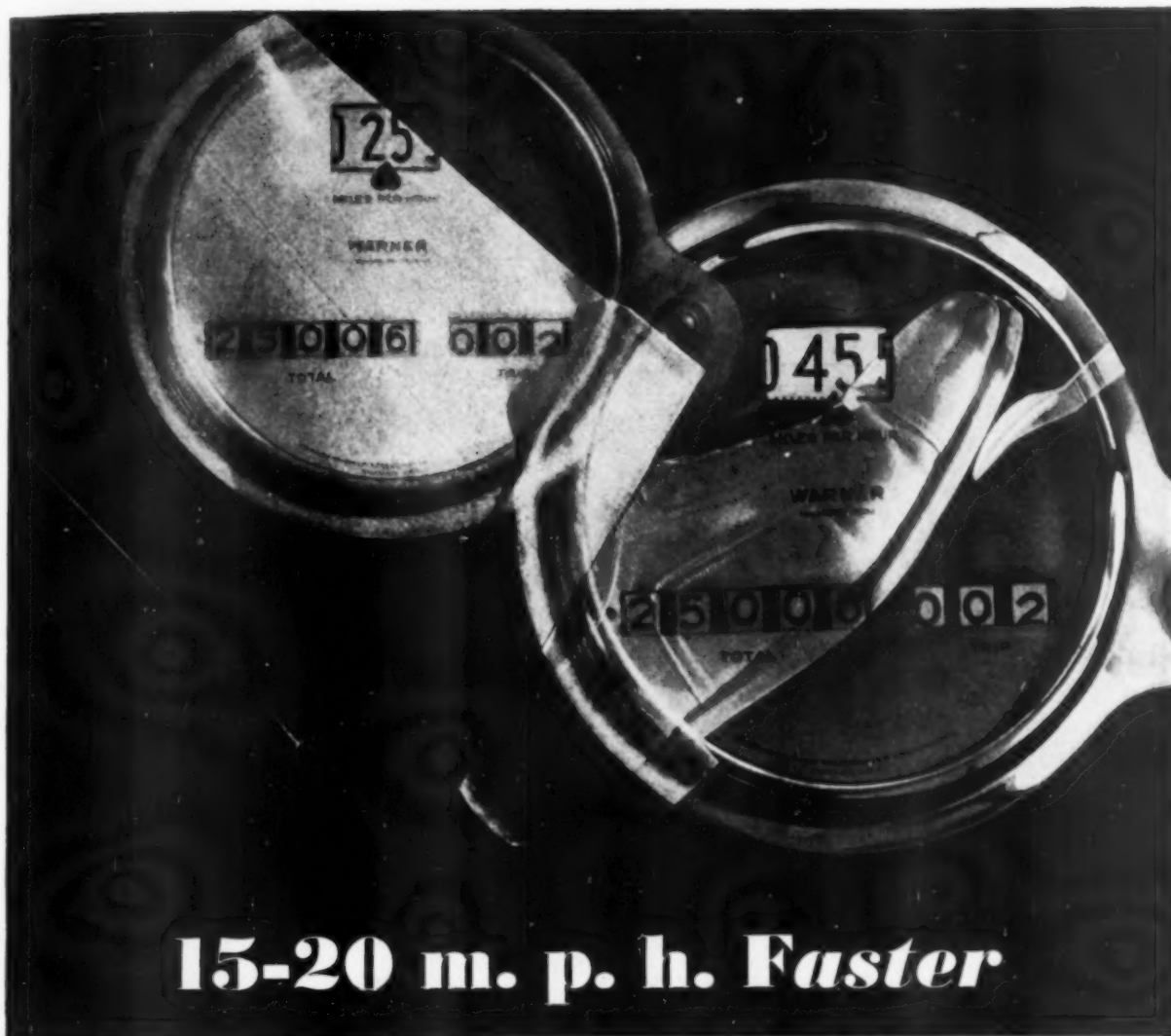
The Pullman Co. has authorized this cut as an experiment to ascertain whether lower sleeping-car charges, coupled with the reduced railway summer rates, can increase travel.

The reduced rate for lower berth from Atlantic to Pacific points and back will be \$50. The regular rates are \$65.25 from New York, \$66.75 from Boston; \$63 from Washington.

No stop-overs will be permitted. The trip back must be completed by Oct. 20.

Penn's New Vice-President Has New England Guessing

PENNSYLVANIA RAILROAD has now, for the first time, a resident executive representing it in New England terri-



15-20 m. p. h. Faster

any way you look at it Goodrich Balloons greatly increase trucking efficiency . . .



FIFTEEN to twenty miles per hour faster...quicker deliveries...a widened hauling radius. YES. But that's only one angle. *Any way you want to look at it Goodrich Silvertown Truck Balloons greatly increase the efficiency of a trucking operation.*

Run down your list of operating costs. Depreciation — tires — gasoline — oil — maintenance...Total them for the year. A pretty healthy sum. Would you like to cut that figure—as much as 25%? You can...With Goodrich Truck Balloons!

Because this is a fact—because hun-

dreds of truck operators everywhere have made even more remarkable savings by changing over to Goodrich Silvertown Truck Balloons—we say: *Get in touch with your nearest Goodrich Distributor, now. Phone him. Look under "Tires" in the Classified Telephone Directory.*

The B. F. Goodrich Rubber Co., Est. 1870, Akron, O. Pacific Goodrich Rubber Co., Los Angeles, Calif. In Canada: Canadian Goodrich Co., Ltd., Kitchener, Ont. The International B. F. Goodrich Corporation (Export).

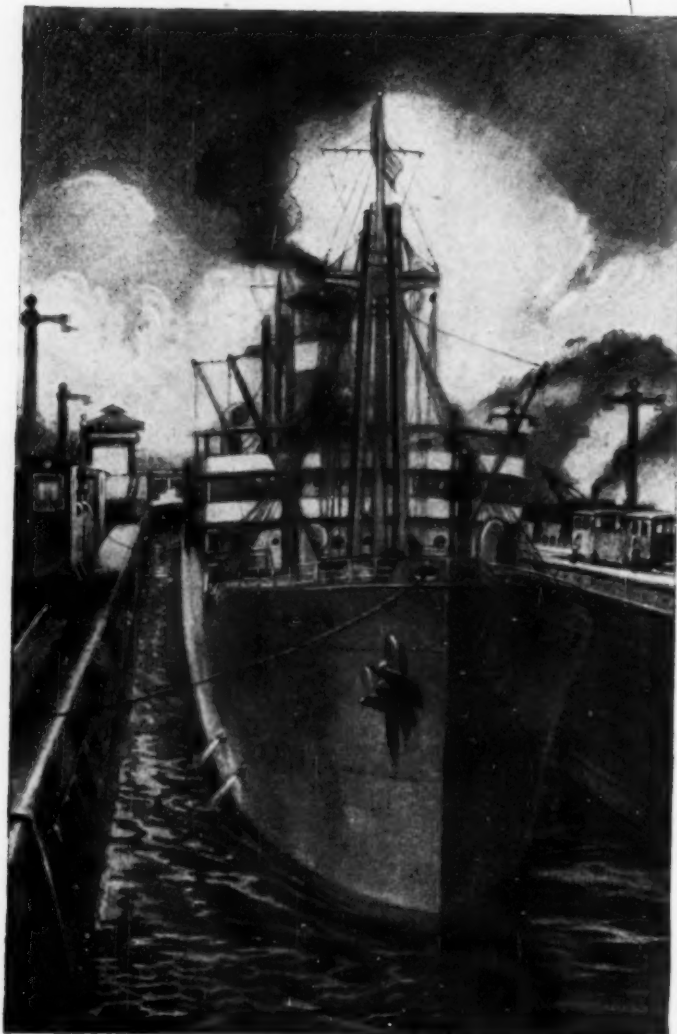
Goodrich *Truck* **Balloons**

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32,000 Rubber Articles • Goodrich Silvertowns • Zippers • Rubber Footwear
Drug Sundries • Scales • Belts • Hose • Belting • Packing • Molded Goods

The Port of Philadelphia Plus The Panama Canal



Saving Money For World Shippers

The Port of Philadelphia handled 31,315,145 net tons of cargo during 1930.

One of the reasons for this large tonnage is that shippers use the Port of Philadelphia via the Panama Canal to save money. These same facilities are available to you.

Why don't you take advantage of them?

Manufacturers East of the Mississippi are invited to send for the facts showing that, with few exceptions, their products can be delivered to Pacific Coast ports more economically by a combination rail and Panama Canal rate via the Port of Philadelphia.

Philadelphia is the logical distribution point for the richest Eastern market. The Atlantic Coast area contains \$45,802,804,000 of the spendable income of the United States or 48.14% of the total. This income centers at a point six miles northwest of the Philadelphia Metropolitan area.

Send for booklets on "Labor," "Power," "Transportation," "Distribution Efficiency Applied to Plant Location," and "The Real Philadelphia". Without cost or obligation, specific data will be submitted on Philadelphia's opportunity for your business. Address Department S on your business letterhead.

PHILADELPHIA

Business Progress Association

1442 Widener Building

Philadelphia, Penna.



tory, following its appointment of a vice-president for New England, with headquarters in Boston. George D. Ogden, formerly assistant vice-president in charge of traffic at New York, has got the job.

New England wonders if this move means that Pennsy will try to strengthen

its control there. Last May the majority of the New England governors' committee expressed itself opposed to any such ambition and recommended that the Pennsylvania Railroad and interests connected with it limit their stock ownership in the New Haven and the Boston & Maine to 10% of the total.

B. & M. Has Not Only Come Back But Has Gone Way Ahead

NEW ENGLANDERS have stopped rubbing their eyes at the sight of orange and blue locomotives, of fast passenger trains to Chicago and Portland, Me., of motorized railroad subsidiaries, of new terminals being constructed under what is almost the heaviest suburban traffic of any American station, of rail-operated airplanes winging their way down the seacoast to Maine.

Wry Yankee jokes about the road that was batted about for years after the New Haven withdrew from it, that came out of the period of federal control lacking not only a modern right-of-way but personality and a service worthy of the name, have been replaced by

proud Yankee boasts that the Boston & Maine has pioneered more rail innovations in the last 10 years than any other road in the country. Credit for the resurrection and the record is given to 3 B. & M. presidents, James H. Hustis, George Hannauer, who succeeded him, and Edward L. French, who continued the Hannauer work after the latter's death. Credit also is due to Homer Loring, who worked out the finances.

Several years ago, B. & M. established a subsidiary motor coach company, bearing its name, and with routes paralleling the rail lines between Boston and Portland, Boston and the White Mountains, and local routes in the tier of Northern

New England states which the road serves. Coincidentally, it concluded that branch-line steam trains were unduly expensive to maintain and that gasoline rail-cars would serve the purpose.

Both Steps New

Both steps were virtually new in rail circles. Although they have not been especially profitable in themselves, the railroad regards them as effecting net savings, since the loss attendant upon motor operation is far less than would have been incurred with steam trains.

Out of the West came George Hannauer and with him came an invention which had not received wide attention theretofore. It was the "car-retarder," a device which permitted freight-cars to be dropped over the "hump" in yards and brought to rest gently at the foot of the hill on any desired track without jolt or bump, as the operator "retarded" it with the electrical device. The Boston & Maine installed these in various yards with resultant economies, since, prior to that, every car had been guided down the hump by riders.

New Station

Mr. Hannauer looked over the North Station, once patronized by more than 30 million passengers annually (like all rail terminals, the annual average has since declined sharply) and decided that Boston and the B. & M. were entitled to a monumental edifice which would be a credit to the city and a gateway to the North. So, under existing traffic, the New North Station rose rapidly, surmounted by an auditorium and flanked by a modern hotel and office building.

Meanwhile, motor-truck services had been established not only to act as feeders to the through lines but to compete directly with independent truckers in the territory contiguous to Boston, where huge mills had taken to shipping over the highway. Big, new Santa Fe type locomotives appeared and, with the strengthening of bridges and laying of heavier rails, speeded freight trains over the line from its western terminus at the Hudson, through to Portland, Me., more than 250 miles without change of power.

The Famous "Bullet"

Faster freight schedules were inaugurated, climaxing with the "Bullet," which offers an overnight service from Maine to New York, on a schedule almost comparable with passenger time. With heavy motive power, operating officials decided it was a waste of effort to cut out engines on the interchange runs with New England railroads, so arrangements were consummated with the Central Vermont, Canadian Pacific,



The Business Week

TICKET LOUNGE—Travelers no longer take their tickets standing; in this new Great Northern office in St. Paul, women passengers especially can order "a yard and a quarter of green transcontinental," in comfort



The Business Week

TEST CAR—Here, experiments were made on the new cooling and air conditioning system for railway passenger cars, developed by Carrier. At the top, on both sides, are the air ducts. The electric light bulbs on the seats represent persons and the heat their bodies generate

and New Haven railroads to send engines all the way through lines in order to attain full use of each locomotive daily.

The ports of Boston and Portland had been declining for years. This cost the railroad money in the reduced volume of import and export freight handled. So, after surveying the field, it appointed the Bush Service Corp. as foreign agent, giving it foreign representation at 700 offices in 23 countries.

Experimenting in a passenger service, B. & M. devised the now famous "winter sports specials" which on winter Sundays handle up to 1000 passengers bent on skiing or skating, while "dollar days" and other innovations helped to stem the tide of reduced revenues. At the same time, a non-stop Boston-Portland train was instituted on a 50-mile-an-hour schedule, one of the fastest averages maintained in North America. The famous old New England name, "Flying Yankee," was appropriately applied to it.

Finally, the aviation development has come along through a joint arrangement with the Maine Central Railroad and

Pan-American Airways acting as operators of the service between Boston, Portland, Rockland, and Bangor. While there remains a question as to the benefits a railroad gains in competing with itself, the step may have the value of forestalling competition.

That all this has been effective is seen in the railroad's financial position; the earning-power has suffered far less than has that of companies given much higher rating by Wall Street. Balance after charges in the first 6 months of 1931 was \$1,821,000 compared with \$2,437,000 for the same period of 1930. This is nothing to crow about, but few other roads have done even so well. And very few have gained as much in popular esteem and good-will against such obstacles as were faced by B. & M.

Steam From Locomotive Refrigerates Air in Train

A NEW system of cooling and air-conditioning for railway passenger cars has been developed by the Carrier Engineering Corp. of Newark, N. J. It employs

steam taken from the locomotive boiler as the energy for refrigeration, with water as the refrigerating medium.

With air outside raised to 106 deg. F., a recent test at the Carrier laboratories, viewed by railroad officials, disclosed that the temperature in an ordinary passenger coach could be maintained at 76 deg. F. A complete change of air takes place every 3 or 4 minutes.

How It Works

A tank partly filled with water is placed at one end of the car. Steam drawn from the engine is forced through an opening in the upper part of the tank creating a vacuum and causing the water to boil at 50 deg. F. The vapor caused by boiling is drawn out of the tank and lowers the temperature of the water to 40 deg. F.

This cold water is then circulated through coils in the roof of the car. Air is drawn over the coils from a blower at the other end of the car to cool it and reduce its humidity and is then circulated through the car by ducts. The re-condensed vapor is returned to the tank from the coils.

Uses Small Space

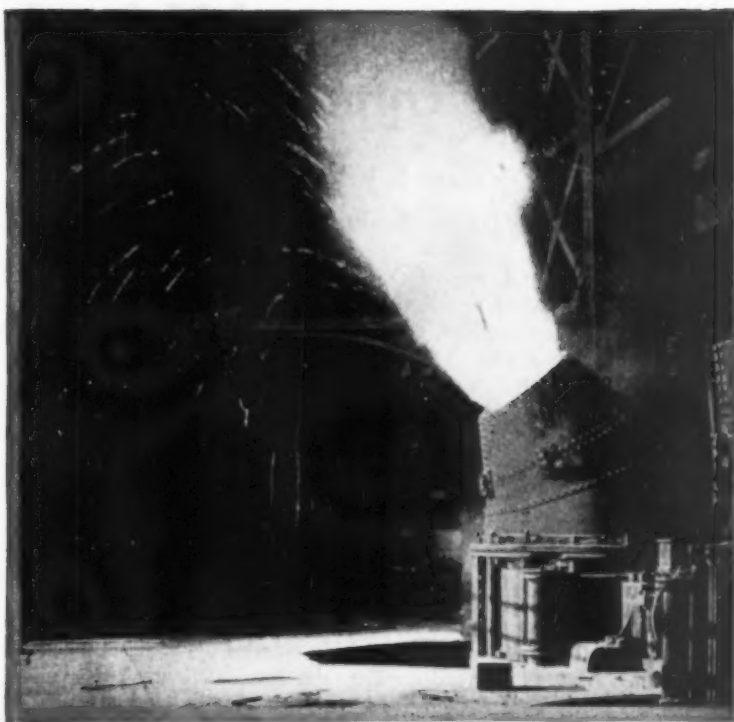
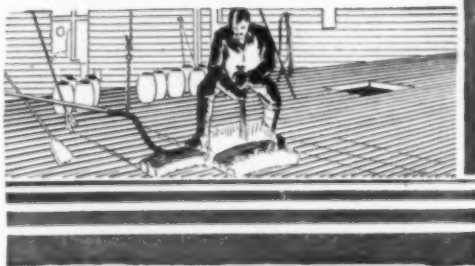
The refrigerator equipment takes little space and weighs 4,330 lb. The weight of the water used is 900 lb. The refrigeration capacity is equal to about 5 tons of melting ice per 24-hour period. The outfit requires 11.2 hp., compared to 13.9 hp. required by an electrically driven ammonia machine. Among advantages claimed by the makers are comparative lightness and compactness, safety as against the use of chemical refrigerants, simplicity, low costs and the fact that the same equipment can be used in the winter months for heating purposes.

Aluminum Paint Tried On Refrigerator Cars

THE Canadian National Railways is experimenting with aluminum paint on refrigerator cars. As a result of recent tests, it has been found that the outer temperature of a car-roof covered with aluminum paint is 10 deg. F. lower than that of a roof colored the customary "box-car red." Two new refrigerator cars have been painted entirely in the new manner.

Aluminum paint has been used to some extent on railway passenger coaches in this country. Some time ago, the Southern Pacific had a train of cars covered with this paint to reduce temperature. The Pullman Car Co. also has been making experiments.

BESSEMER solved the heat problem of STEEL



Ethyl solved the pressure problem of gasoline

CHEAP STEEL—pooh!" Iron manufacturers poked fun at the idea in 1870. "Give us cheap heat and we'll give you cheap steel," they said. Bessemer did it. Blowing air through liquid metal, he produced *free* heat by natural combustion, and thereby made cheap steel possible.

+ + +

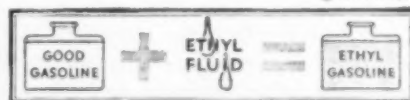
Fifty years later a like situation confronted the automobile industry. "Find a fuel that will stand higher pressure," said automotive engineers, "and we will give you better automobiles." Ethyl fluid was the answer to this need.

Ethyl fluid controls the combustion of gasoline, making high pressures possible. Manufacturers have taken advantage of this fuel to get the faster acceleration, the increased power, the greater fuel economy, and the cooler combustion that are char-

acteristic of modern high compression engines.

Cars that are designed to run on Ethyl Gasoline give performance undreamed of a few years ago. And the end is not in sight. Compression is going higher. More manufacturers will build for Ethyl. Tomorrow's performance will be even greater.

High compression engines offer you a solution to underpowered trucks, to faster deliveries, to economical fleet operation. Ethyl Gasoline is the only fuel to answer their need. It makes *any* car deliver its best performance. Ethyl Gasoline Corporation, Chrysler Building, New York City.



The active ingredient used in Ethyl fluid is lead.

ETHYL GASOLINE

Bendix Thinks—And Makes It A "Time of Opportunities"

**Vacuum clutch control is just 1 of 4 new products
that are keeping his organization working nights**

VACUUM clutch control, one of the 4 main new products which Bendix Aviation Corp. will offer this year, forecast earlier in the summer (*BW*—Jul 8 '31), went on the market this week, announced candidate for "rank in importance along with self-starting and four-wheel brakes."

It illustrates again how simple "revolutionary" ideas are likely to be. The device is merely the old vacuum brake booster mechanism, which has been in satisfactory use for many years on large automotive vehicles, adapted to moving the clutch pedal up and down instead of helping move the brake pedal. The unused power of the vacuum created by the intake manifold does the work.

A New Free Wheeling

Clutch control is a competitor to the present free wheeling, or an improvement on it, depending on how one looks at it. The initial 2-page advertisement in the Aug. 29 *Saturday Evening Post* emphasizes in big type in 3 different places that clutch control is "free wheeling plus."

Bendix is displaying generalship. Announcements are such that manufacturers, as General Motors and Nash, which have so far refused free wheeling, can now take on clutch control as the improvement they have been waiting for, to all that free wheeling does and more. On the other hand, manufacturers that have already taken on free wheeling need not back down in order to offer clutch control. If they want it, they can offer it as an improvement, another step ahead.

How It Works

Operation of the device is simple. When the driver lifts his foot from the accelerator, the clutch pedal goes down automatically and stays down while the car free wheels along. When he steps on the accelerator again, the clutch is immediately re-engaged. To operate the car in the old-fashioned, or conventional, way the driver merely advances the hand throttle slightly, which shuts off the vacuum. In this way free wheeling is made selective.

• Bragg-Kliesrath Corp., Bendix subsidiary manufacturing clutch control, recently moved from Long Island City to

South Bend, already has a force of dealers selling its vacuum brake boosters. This force, nucleus of the clutch control dealer organization, is now being rapidly expanded by enrolling garages, automobile dealers, service stations, and others. Clutch control is offered as an attachment to any car, priced from \$19.50 for a small car up to \$30 for a big one.

Production Stepped Up

If the public takes to it promptly, Bendix's job of inducing manufacturers to include it as original equipment will be speeded up. Several now have it under consideration. The manufacturing unit in South Bend that makes clutch control is working 2 shifts a day.

Second of the 4 main Bendix offerings of the year is "Startix," a device through which the turning of the ignition key automatically starts the motor, making it unnecessary to step on the starter. If a motor stalls in traffic or on a railroad crossing it is automatically started again. Packard and Hudson-Essex are offering "Startix" as optional equipment. Others are considering it.

Third, and for the time being somewhat overshadowed by clutch control

and "Startix," is a new Bendix product for airplanes, a "complete automatic variable pitch propeller." "It works so slickly," comments a Bendix official, "that it seems there surely must be a bug in it somewhere. But we have been experimenting with it for a year now, and the more we test it the better it looks."

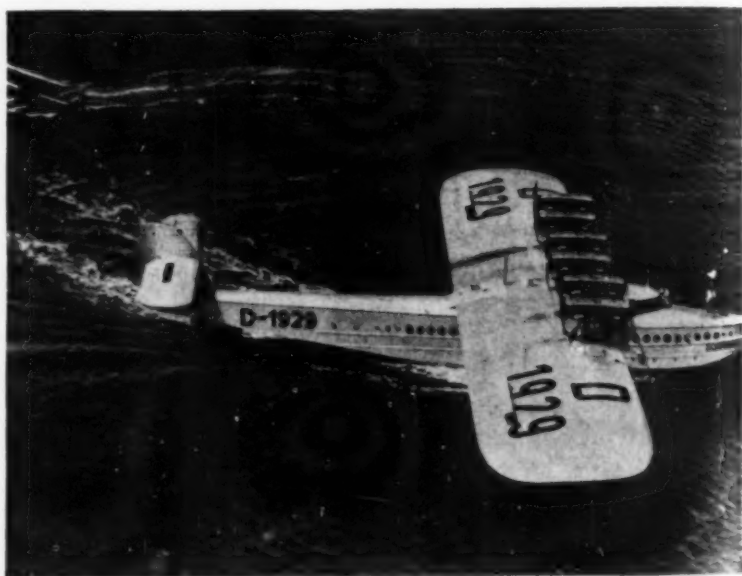
Adjusting the pitch of an airplane propeller affects operation of the plane markedly. Bendix experiments indicate that a plane can be lifted from the ground in 40% less distance and made to operate in the thin air of high altitudes more satisfactorily with this device.

The fourth new product *The Business Week* is not permitted to reveal as yet. It is being designed for general use in industry, on railroads and elsewhere, rather than for the automotive and aviation industries primarily.

"We Never Sleep"

Vincent Bendix, who finds 4 hours' sleep a night enough, is working his organization under great pressure. "He thinks this is a time for everybody to work as never before," comments Walter J. Buettner, treasurer. "I haven't been home for dinner one night for 2 weeks. About 3 nights a week we can be found still working between 12 and 2 in the morning. Mr. Bendix believes this is the time of most marvelous opportunities."

Back in 1912 Vincent Bendix invented the Bendix drive, "the mechanical hand that cranks your car," daddy of the present Bendix line, now used



IN AMERICAN WATERS—The great Dornier, largest plane of them all, drops into Biscayne Bay after a 10-month trip from Germany

on about 80% of all automobiles. Seven years later he formed Bendix Engineering Works. His line of products expanded. The present holding corporation, Bendix Aviation Corp., organized May 13, 1929, lists 18 American and 3 foreign subsidiaries, several of which have been added during the depression. The policy now being followed is one of concentrating manufacturing activities in fewer, larger plants, the main works being at South Bend. Products are mainly for use on automobiles and airplanes, though to an increasing extent for the manufacturing industry at large.

Ford Promotes His Hobby To Unite Farm and Factory

HENRY FORD again becomes the subject of cartoons and newspaper comment with a proposal as unique as it is unexpected. He asserts that next year all employees of his woodworking plant at Iron Mountain, Mich., must have gardens large enough to supply at least a part of winter vegetable needs of their families. No garden, no job.

Starving Verboten

The company will provide expert aid and advice on gardening, will supply plots to those without sufficient space on their own grounds. Apparently Mr. Ford is disgruntled by the fact that many persons prefer to starve rather than grow enough food to keep them alive. "The man too lazy to work in a garden during his leisure time," Mr. Ford asserts, "does not deserve a job," and as far as Mr. Ford is concerned such a man will not have one at Iron Mountain next year.

This back-to-the-farm movement, with a combination of agriculture and industry to keep workers busy the year round, is a favorite Ford hobby. It was started with a number of small factories in rural Michigan which operate during winter but usually are closed during the summer while erstwhile factory workers are in their fields hoeing their peas and corn.

Shop and Field

Unfortunately, the plan has not been altogether successful. Many workers seem to prefer to pick one occupation and stick to it, despite Mr. Ford's sound arguments against such a policy. The new rules for the Iron Mountain factory may, or may not, forecast the application of further pressure to make the marriage of shop and field binding. No one knows, but Mr. Ford, and he won't tell.

Have You Inventoried YOUR Advertising for Results?

"How can I make my sales keep climbing?"

"How can I help my sales force sell?"

"How can I gain dominance in my field?"

Manufacturers the country over are asking themselves these questions. Manufacturers the country over are wondering how, with general business 82% of normal, they can continue to grow, to expand, to progress.

You yourself are probably examining your production costs, your sales costs, your distribution costs, seeking out weak spots. But perhaps, like many, you are neglecting to examine one of the most important tools at your command—your Advertising. If you need distribution, or dominance, or sales, or dealer-jobber goodwill, and have received only pretty pictures, it is time for you to re-examine your advertising program from a standpoint of results and find out why it has not delivered.

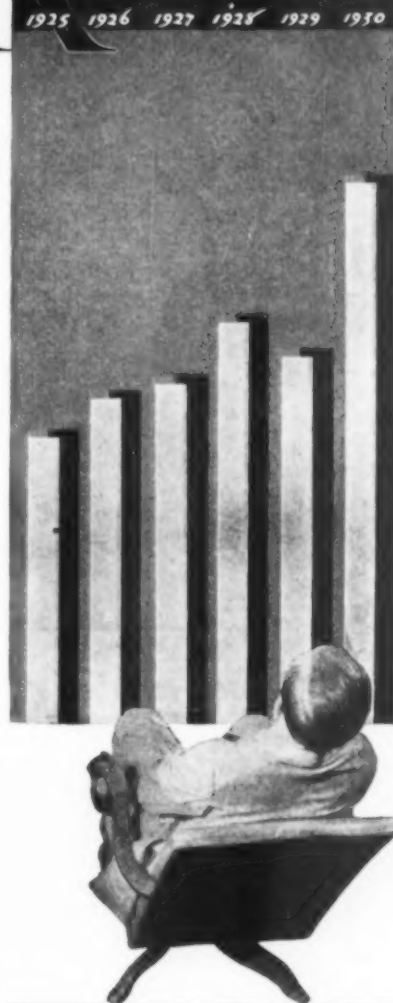
It takes a results-minded advertising agency to produce results. If our clients did not get results, our own volume could not show so satisfactory a year-after-year growth as that in the chart. The fact that, for many of our clients in Baltimore and elsewhere, we are producing results indicates that for an advertiser who has become aware that there is something wrong with his program, we can usually clarify his problem, attack it intelligently, and ultimately solve it.

After all, that is what you want in advertising service, isn't it? Why not have your secretary call us in? Match your time against ours and let us show you that getting results is not only your business, but our business.

Van Sant, Dugdale & Corner
INCORPORATED

A National Advertising Agency

COURT SQUARE BUILDING
BALTIMORE



MAIL THIS COUPON

VAN SANT, DUGDALE & CORNER, Inc.,
Court Square Building, Baltimore, Md.

(Check square for information desired)

☐ Please put me on your mailing list for all information and printed matter regarding advertising, merchandising and selling.

☐ Please have a member of your staff call on me on (date) at (time) and show me your Book of Results.

Name

Position

Name of Company

Address

City and State

It costs



"Newest member of 'Who's Who'"

Empire State—Chrysler—Stevens Hotel—Cleveland Terminal—now the new Waldorf Astoria Hotel in New York City—these are but a few of the really great buildings using Johns-Manville Insulating Materials on their ultra-modern heating systems. The hundreds of thousands of feet of J-M Insulation applied to their steam and hot water lines are convincing testimony of the excellence of these materials and do credit to the skill of the engineers and architects responsible for the difficult task of heating these monuments of modern architecture. Whether for a 50-story skyscraper or a 2-story dwelling, J-M materials insure maximum insulating efficiency.

"Hotter bath—net annual savings \$1,749"

One source of great heat loss on a large electric galvanizing furnace at the Delta Star Electric Company, came from the free surface of molten zinc during the night and week-end hold-over periods. Through the use of J-M materials most of this loss was eliminated. Alone the insulating cover placed over the hot zinc bath each night effected net annual savings of \$1,749, and resulted in a quicker, hotter bath each morning.



"The Waldorf Astoria 'II,' New York City—a modern revival of one of the most celebrated hotels. Hundreds of thousands of feet of Johns-Manville Insulation protect the steam and hot water lines."

"Electric galvanizing furnace at the Delta Star Electric Company, Chicago, Illinois. Johns-Manville Insulating Covers represent a yearly return of 400% on the investment—an annual savings of \$1,749."

ts 1,475 a year

to boil this pot of coffee!

Industry's bare steam pipes alone are wasting
millions of dollars annually through heat losses,
90% of which Johns-Manville can save

Noon . . . time to eat. Old Tom, one of the plant foremen, was already there at his favorite spot, lunch box on his knee, coffee pot singing merrily away! An everyday event. Lucky for Old Tom—having these sections of bare steam pipe, with conveniently located joint, to provide his daily hot drink.

Lucky for Old Tom—very “unlucky” for the company. Because it costs just exactly \$1,475.00 a year—in heat losses—to boil this pot of coffee!

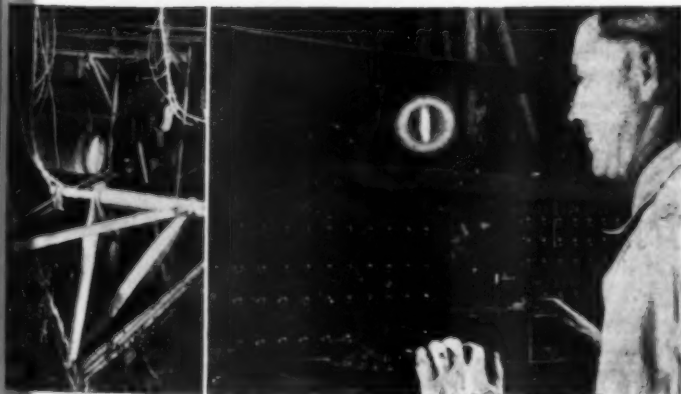
The mere incident of this workman's coffee pot may represent, in disguise, a most dangerous item on your operating statement. And it well symbolizes the aggregate millions of dollars that otherwise efficiently managed plants today are wasting through the loss of

heat—more specifically through the lack of insulation or the lack of proper insulation.

One foot of 6-inch bare pipe alone will lose 2 lbs. of steam per hour, or 14,400 lbs. of steam per year. Just one foot! Imagine the steam lost—the money lost—in an entire plant per year—any plant—perhaps your plant. And 90% of this loss Johns-Manville can save.

With more than 70 years' insulation experience to draw upon, Johns-Manville Insulation Engineers can calculate just how much heat is being wasted as a result of bare surfaces or poorly insulated surfaces and advise you how this waste may be prevented. Their advice will cost you nothing, may save you many tons of fuel. Address Johns-Manville, 292 Madison Ave., New York City.

“This finger of light saves Industry over \$250,000,000 annually”



A busy room. Dozens of steel pipes—insulated . . . small pipes . . . large pipes . . . medium-sized pipes . . . A cobwebbed maze of electric wires—connecting various points on every pipe. Outside a man sits at a switchboard. “Test pipe 32-point D.” Adjustments made, he touches a delicate switch. On the control board appears a tiny finger of light. It wavers . . . swings right. Then left. Then stops! The J-M Laboratory at Manville, N. J. has determined—to the fraction of a degree—the efficiency of a particular insulation at a particular temperature.

Johns-Manville is constantly testing all types of insulating material under every varying condition. As a result of these extremely accurate and scientific tests, Industry is being saved, in the conservation of heat or cold, over \$250,000,000 a year.

Johns-Manville



Controls

HEAT, COLD, SOUND

Protects against

FIRE AND WEATHER

Back of Toledo Bank Closings Lie Long and Bitter Rivalries

**Rescue squad retreats, helpless in face of enmities
that made clearing house mere check swapper**

TOLEDO, O., has been furnishing a clinic on how Americans behave under conditions they had been reading about in Germany. When four banks failed to open in Toledo the morning of Aug. 17 the city realized that the Reich had moved into northwestern Ohio. With the accompanying suspensions of payments by "savings and loan" institutions, three dollars out of every four in Toledo were, for the time being, glaciated.

Improvised Crutches

Since then Toledo has been showing what a city of that size can do for money. Large employers, like Willys-Overland and Electric Autolite, got payrolls outside Toledo. Others, like Champion Spark Plug, had accounts in more than one bank, including those which stayed open. Many concerns which had been paying by check reverted to paying in currency. Much wholesale trade has also gone on a money basis. Retailers have been settling with wholesalers in \$100 bills and gold. Currency hoarded by individuals during the long uncertainty preceding the closing of the four banks emerged from hiding. Bankers believe at least \$15 millions holed up in safe deposit boxes in that period. Even a few business houses hoarded money.

Cash brought into Toledo during the short run on the surviving banks began refilling the cistern. Payroll money has continued to do so. Money left in Toledo by visitors stays there, while outside concerns extend the credit of their Toledo customers. The supply of currency in circulation is rapidly getting back to normal.

Merchants' Devices

Wholesale groceries stopped increasing the credit of retailers and dealt with each as his position required. Retailers in turn stopped giving credit to unemployed and this threw a suddenly heavier load on the social agencies.

A number of retailers opened temporary accounts in the surviving banks. They put their customers on a "payday" basis and permitted credit where they had jobs. Tiedke Bros., a large department store specializing in groceries, offered to lend credit to customers new

and old on passbooks up to 25% of their deposits. They made a charge of 1½% for the service and the same amount for a 3-month accommodation. At the start, 24 persons were needed to handle this business, but in a week the number of clerks on that work had declined to six.

Insurance Moratorium

One department store and two specialty shops in Toledo had had deposits in a bank which closed June 17, the failure which led to the four suspensions in August. They had opened new accounts in other banks, and in each instance the accounts were again tied up in the August failures. All three, however, were still able to keep going. All department stores announced their usual credit facilities would be continued. Store advertising almost ceased after the suspensions but resumed in an increasing scale within a week.

The Equitable Life Insurance Co. announced a 30-day moratorium on premiums. Other insurance companies followed or arranged policy loans for premiums. Lucas County sought Gov. George White's help in a moratorium on taxes but was unsuccessful. Surety companies are making about \$2,000,000 available on the city and school deposits in the closed banks.

Advice Received, Filed

A representative of Walter S. Gifford's unemployment relief committee informed city officials that the government would have no money for relief and left seven pieces of advice. These were received and filed.

The first failure in Toledo was the Security Home, June 17. Runs commenced on the other banks, and four of them placed the 60-day withdrawal rule on savings deposits the same day. Four others declined to avail themselves of the rule. When the sixty days elapsed the four which had applied the rule concluded they could not meet demands. They closed Aug. 17. They were the Ohio Savings Bank & Trust Co., the Commercial Bank, the Commerce Guardian Trust & Savings Bank, and the American Bank, total resources \$101,715,000.

Ohio Savings was Toledo's largest

bank. It occupied a 22-story building completed less than a year ago at a cost of \$6,500,000. Real estate, including the bank's own real estate, was one of the causes of its suspension. Ohio was the largest bank in the Fourth Federal Reserve district not a member of the Federal Reserve.

The second largest bank in Toledo, the Toledo Trust Co., survived without much difficulty. It experienced a short run but was assisted by the Federal Reserve Bank of Cleveland. The president of Toledo Trust is Henry L. Thompson, who had gone into banking after a long experience in the hardware business. Thompson represents the conservative wing of Toledo banking. He was buying government bonds in the summer of 1929. He declined to enter the Toledo branch banking competition. While other banks were opening a total of 51 branches, Thompson opened none. Incidentally, when all of the branch banks in Toledo suspended, all banking business had to be done downtown, and one street had to be roped off entirely for banking for one day.

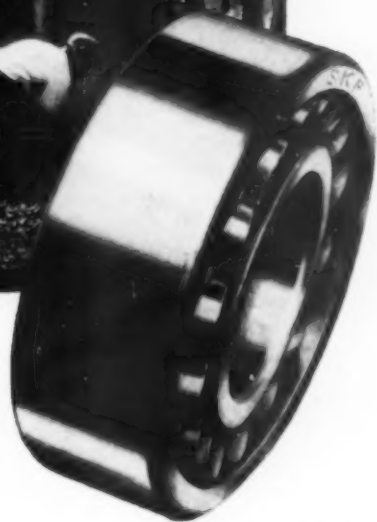
Thompson felt that branches increased overhead without increasing business proportionately. When the runs started on the other banks they were just so many open faucets.



Underwood & Underwood
FRED C. CROXTON—The assistant director of the unemployment relief program brought from Ohio a reputation for ability

ON THE TOUGH JOBS

OF COURSE, THEY'RE SKF



"IN A BEARING THERE'S NOTHING BUT PERFORMANCE THAT COUNTS"

That's the job...where the grind is steadiest and the going hardest, where dependability is essential and performance is the thing that counts...that's the job for SKF.

It's no mere chance that you find SKF Anti-Friction Bearings in the railway journals of most of the railroads of the world...in most of the great clanging mechanical monsters that build our roadways...in practically all of the giant dredges that burrow into river bottoms. Not chance at all. Ordinary bearings would fall down.

The answer is that SKF builds a bearing up to a job and never down to a price. And whether it's a dime-sized SKF Bearing, functioning in some delicate scientific instrument at terrific speed, or a big brute SKF, taking the punishment of some giant stone crushing machine and liking it, depend upon it...it was built for the job. SKF puts the right bearing in the right place...and in a bearing there's nothing but performance that counts.

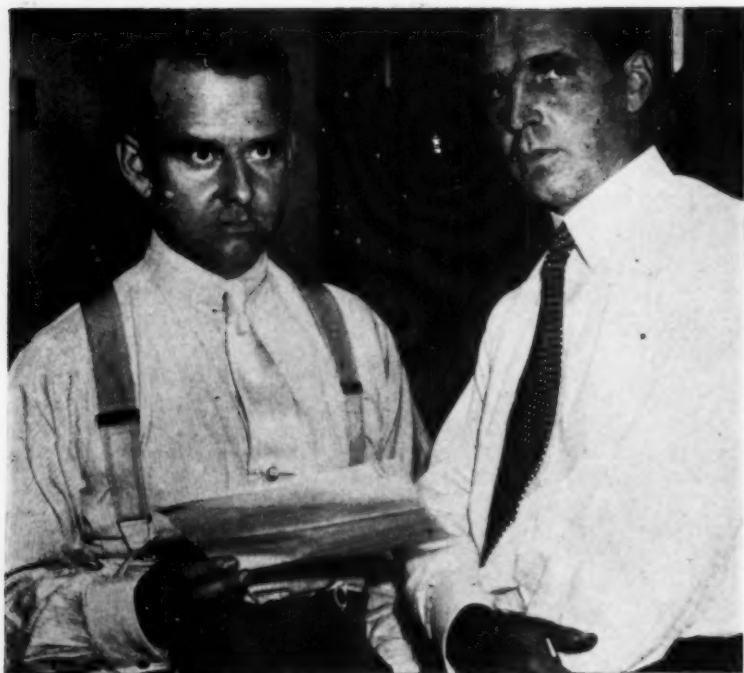
SKF INDUSTRIES, INC., 40 EAST 34th STREET, NEW YORK, N. Y.

SKF-equipped road building machine in action and above (left), driving wheel on stone crusher turning on SKF Bearings.

SKF

BALL AND ROLLER BEARINGS

2741



CHICAGO RELIEF—Samuel Insull, Jr. (left), chairman, and E. L. Ryerson, Jr., president of the Joint Relief Fund campaign to raise \$8,800,000

Thompson also had declined to engage in competition for savings accounts. Something of the old-time reluctance to go heavily into savings business characterized Toledo Trust.

This conservative temperament of the Toledo Trust and its head, contrasted with the expansive policies of Ohio Savings, is one of the clues to the separation which grew up in Toledo banking. Whatever its cause, there was no unity at all. The clearing house amounted to nothing but an arrangement to swap checks. When Detroit, Chicago, Cleveland, and New York bankers were called in during the last week before the suspensions they found a feeling verging upon bitterness between heads of rival banks.

Rescuers Back Away

Despite the offer of Thompson to take \$1,500,000 in stock in a consolidated bank, and an offer of a similar or larger sum by George M. Jones, millionaire coal operator who was head of Ohio Savings, the outside bankers declined to go further into the situation. The outsiders looked upon Toledo as an example of the lack of cooperative spirit, while within Toledo it was impossible to agree which school of banking should have yielded to the other. Thompson is today supreme in Toledo banking.

Bankers generally agree that the application of the withdrawal rule to the savings deposits of four banks was a

mistake. Thompson had advised against it, and Toledo Trust and First National had refused to go along in it. The posting of the rule on withdrawals had alarmed commercial depositors and a slow run had been going on in the four institutions during the two months it was in force.

Another cause of difficulty in Toledo was the existence of eleven savings and loan companies which accepted deposits at higher rates than the banks, 5% usually and under certain conditions 6%. Many Toledo people looked upon these institutions as banks. One of them, named the Ohio Savings Association, failed recently and that caused some embarrassment for Ohio Savings & Trust. These loan companies lent on first mortgage in active competition with the banks.

Under the unusually liberal Ohio laws governing these concerns, they can suspend withdrawals indefinitely. All the surviving loan companies posted withdrawal notices at the same time the four banks suspended. This tied up \$50,000,000 millions more of Toledo's money.

Real Estate Blamed

The chief cause for the Toledo trouble, both in banks and loan companies, is frozen real estate loans. The city had been boomed by the rapid growth of the automobile industry and bankers, like the public, thought the increase in value would go on indefinitely.

Banks Have Good Reason To Urge Spending

BUSINESS was encouraged, ultra-conservative bankers startled this week, when the country's second largest mutual savings bank advised depositors to spend money instead of hoarding it.

After watching savings deposits mount with unusual speed in recent months while consumer buying dropped steadily, many business men will heartily agree that the "millions of savings and thrift depositors in this country have it in their power to change the whole aspect of industrial and trade conditions." Thus spoke the Emigrant Industrial Savings Bank to its 249,000 depositors who have \$400 millions on deposit.

Keep 6 Months' Pay

The bank directed its message toward savings in excess of probable needs, and obviously believes that there is a large number of persons with that kind of an excess. Depositors are asked to estimate their emergency needs carefully, to spend the excess judiciously. An equivalent of 6 months' salary is suggested as a minimum for emergencies.

Current low prices are stressed in the message; so is the philosophy of saving when money is at minimum value, spending when it is at maximum. Home and property repairs, clothing and land—now low in price—are mentioned as worthy of purchase.

Acceptance of this advice would not only serve depositors, but would relieve the bank of difficulties resulting from the long continuance of individual hoarding. Coincidental with the heavy flow of funds into savings banks during the depression, investments that bear a reasonable yield and are safe—from the banker's point of view—have become so scarce that many savings bankers have been unable to employ their money satisfactorily. Realization that returning confidence will bring withdrawal of a considerable portion of these inordinate savings has driven the banks to an unusual liquidity, which means lower yields.

Others Interested

Emigrant Industrial has gone a step further than banks have been willing to go heretofore. Restrictions on savings have been confined to reductions in rates paid depositors and the placing of a limit on the amount of deposit accepted from one depositor in a given period of time. But other banks are confronted with the same situation, and if they do not follow suit it will not be from lack of inclination on the part of some directors and officers.

Desks *tailored* to fit your job . . . Prices *trimmed* to fit your budget



MOUNT VERNON. FOR THE MAN OF IMPORTANCE! *Impressive, dignified . . . a truly handsome desk! Its details are distinguished . . . turned legs and moldings, handsome bronze drawer pulls. And its price is pleasantly low!*

IT'S the finest-looking desk you've ever seen in steel . . . Art Metal's new Mount Vernon. Walnut grain that *looks* like walnut. Resilient top . . . of grained Artolin. Handsome bronze drawer pulls. Well-shaped legs. Wire chases inside the desk to hide all phone and light wires.

Quiet, too. The drawers glide open, lock *silently*. The file works smoothly on noiseless ball-bearings. Drawer partitions fit

snugly, never rattle, never stick.

Any man in your office would be proud to claim this "big executive" desk. And it's priced down to *general office* levels . . . low enough for "off year" budgets.

Your Art Metal man is standing by with Mount Vernon, and its companions, William Penn, New Yorker. He has other desks to fit any job in your office. All fire-fighters . . . all built for a strenuous lifetime.

And we would like to send you—FREE—"Individuality in Desk Design," with pictures, descriptions, and a color scheme chart to help you find the right desk-in-color. Please write for it! Art Metal Construction Company, Jamestown, N. Y. Branches and agencies in 500 cities.

Art Metal
STEEL OFFICE EQUIPMENT

THE ART METAL LINE . . . Fire Safes . . . Storage Cabinets . . . Desks . . . Shelving . . . Plan Files
Horizontal Sectional Files . . . Upright Unit Files . . . Counter Height Files . . . Postindex Visible Files
IN THE ART METAL BUILDING EQUIPMENT DIVISION . . . Hollow Metal Doors and Trim . . . Elevator Enclosures . . . Architectural Bronze . . . Library Fittings . . . Partitions

Paris Likes an Old Operetta— So Danbury Works Day and Night

Eugénie hats lift the little Connecticut town clear out of the depression

PARIS flocked this summer to a lively revival of Offenbach's operetta, *La Vie Parisienne*. As a result, Danbury, Conn., hat factories are running night and day.

Thus—and not by cunning machinations of interested industries—are most styles begun. Unless the ladies of the Great World accept them, such creations expire in their cribs. But the Great World of Paris was at the moment flocking to the Offenbach operetta. Ladies emerged ravished by the perky little hats of the period, whose plumes brought out so seductively the curve of cheek and throat. They rushed to their modistes, demanding hats to make them look like Offenbach beauties.

Trimmings, Too

The little hat was named for Eugénie, harum-scarum young empress of the Third Napoleon, and the ballyhoo began with all the fortissimo stops pulled out. Glad tidings were flashed to the U. S. Women stormed the millinery shops with an impetuosity that raised the number of feather factories from 20 dormant to 300 feverishly active units. Rooster feathers rose 300% in price. Ribbons, long dead, were stirred to a new lease on life.

The Eugénie began with a derby motif which could best be formed from fur-felt. And there was Danbury waiting.

Danbury claims the honor of making America's first hat. With Yankee tenacity it has held place as the foremost hat city.

Then Came Eugénie

Till about 6 weeks ago Danbury was slogging along at the bottom of the depression with the other tattered pilgrims. Business in women's hats was off. To complicate the future, men had begun the disturbing barehead habit. A sudden swing in style—a factor that has lifted other industries—yanked Danbury with sudden violence up into the sunlight.

The market created by the Eugénie is for fur-felt shapes that wholesalers and milliners can dress with feathers. In the U. S. there are 18 plants of importance equipped for this demand; 13 of them, including the largest, are in Danbury. The impetus has revived the

entire industry but its beneficence has not fallen so heavily on the great companies which specialize in finished headgear, and in hats for men. Thus Stetson's huge plant in Philadelphia, Knox in Brooklyn, Crofut & Knapp (Dobbs), in South Norwalk, Schoble in Philadelphia, are busy, but not at the killing night-and-day pace.

Danbury's Position

It is estimated that the country's capacity for women's fur felt shapes is about 12,000 dozen a day. The Danbury district is now producing about 10,000 dozen daily. Several Danbury factories are running three full 8-hour shifts, others overtime including a full day Saturday, formerly a half-day. In one plant any team of 3 (sizers and shrinkers) which wants Sunday work may violate the day of rest. Pouncers—skilled artisans who give the surface finish with fine sandpaper—are putting in 16 and 17 hours daily, are making around \$140 a week.

Plants, men, and women are driven

to this furious pace by an ominous possibility. A sudden whim in fashion dropped the manna in Danbury's lap; a second fickle twist may snatch it away. They must get it while the getting is good.

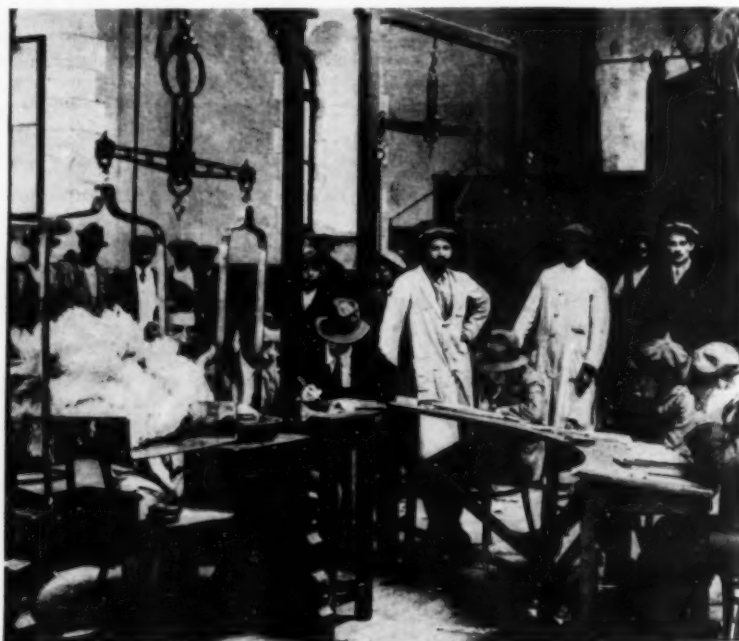
Orders in hand are sufficient unto Sept. 15. Beyond lies a large question mark. It is not in the blood of these ancient New England hatting companies to allow the escape of a dollar that comes knocking at the door.

Largest of the favored corporations are the Frank H. Lee Co., H. McLachlan & Co., the George McLachlan Hat Co., the Mallory Hat Co. Peculiar to the town are these concerns. Lee began hat-making as a boy. The McLachlans are brothers with a Yankee shrewdness superimposed upon a foundation of Scotch integrity. Descendants of bearded Ezra Mallory even unto the third and fourth generation now run the company he founded in 1823. Executives of 1931 retain a softened adaptation of the grim straight mouth with down-drawn corners, characteristic of the original hatters.

The First Hatter

No one knows just when the industry began in Danbury. It is thought that the original Eight Families included a hatter. They came on foot through the forest trail from South Norwalk in 1684.

The original hatters snapped a catgut



Wide World

HURRAY FOR THE EMPRESS!—Eugénie of the Second Empire is the god-mother of the new mode which calls for feathers on the hats. Once again, there is activity in the feather market at Port Elizabeth, South Africa, where most of the ostrich plumes are handled

bow-string upon a pile of fur to separate the fine, soft lower fibers from other substances. Hand working hooked together the invisible barbs of the hairs into the first loose fabric for the hat. The cone was alternately rolled, kneaded, and dipped into boiling water. This shrank and felted the original down to a quarter of its former size.

Machine Age Arrives

There remains a high grade of skill in hat making, but machinery has revolutionized the processes. A modified lawn mower cuts off the furs which are blended and "blown" in a centrifugal machine which removes all hair and foreign waste. (Women originally picked the hairs out of the felt with tweezers.) Modern forming machines contain copper cones, perforated with minute holes. After the cones are dampened, a girl feeds in enough fur for a single hat. Fans under the perforated cone draw the fur which falls evenly upon the cone's outer surface. The result is a loosely-knitted dunce cap, 2½ feet high, which subsequent rollings and immersions in boiling water shrink into a hat.

By protecting its supply of skilled labor, by manufacturing and developing hat-making machinery, by importing skilled machines that it didn't make, Danbury has guarded its huge share of the country's hat business. In 1929 the country produced 1,737,433 doz. fur felt hats, worth \$69,820,000 (Dept. of Commerce figures). Danbury figured prominently in this total but scored heaviest in the "Hat Bodies" heading. Of the 1,504,783 doz. worth \$23,969,000 in this category, Danbury claims three-quarters. A check against the above 1929 estimate is the following: In 1925 Connecticut had 3,495 employees in hat factories; wages amounted to \$7,429,000; products were worth \$30,789,000. Far more than half of these totals belong to Danbury.

1931 Feudalism

There is still something of a gentle feudalism about Danbury's leading industry. Most of the manufacturers live in houses on the hill looking down on the plants in town. Workers are home owners.

Labor is about 50-50 as regards unions and open-shop. Wages are good. Examples from one plant: Rates per hour, men: Forming, \$1.00; average sizing, 96½¢; stretching, \$1.57; blocking, \$1.32. Women, per hour: banding, 49½¢; machine work, 73¢; sweat band sewers, 62¢.

Labor rows are few. The historic Danbury hatters' case is an old memory—apparently no rancor remains.

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Electrical Merchandising
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Power

Radio Retailing
Electronics
Food Industries
Chemical & Metallurgical
Engineering

6 Men, One Important, Will Get You Cash for Russian Paper

Mr. Sherman finds Europeans ready to buy Amtorg notes from American exporters

THE hardest market to find, if not to understand, of old was that for puts and calls, for in the days of its greatness it was almost entirely under the plug hat of Russell Sage, and today in its decadence it is a scattered little affair up and down New Street in the lesser memoranda books of some 25 or 30 brokers or brokers' men. But the hardest market to find today is that in Amtorg acceptances. It exists in the heads of at least 6 men and certainly not many more, and one of them is easily as important as the other 5 or more together.

He Fills a Need

It is not surprising that the personality, as the profession, of Mr. Isaac J. Sherman, acceptance broker, should have excited such intense interest in an important if a limited world. Machinery makers, and other ambitious exporters to Soviet Russia, have long been intimately acquainted with the financial as with the diplomatic stalemate that separates the two greatest chunks of land, humanity, and production under single flags in the world.

Today there is not a single banking institution in America where an Amtorg trade acceptance, issued against the unpaid balance due on a bill of goods, is immediately discountable "without recourse," as the phrase goes. In other words, if the American manufacturer or merchant wishes to discount, i.e., receive cash, against Amtorg's signed bill, he must himself agree to pay back the cash to the discounting banker if Amtorg does not make good. And this is where Mr. Sherman made his little career and got to be so well known.

Lucky Background

His background was fortunate if not fortuitous for he was himself an Amtorg official, second in command, and particularly in command of finance and the more expert phases of the financing of trade between nations, a specialty which had absorbed his long studies in Europe. An American citizen, and a resident off and on since 1916, he is the type of the highly trained Continental commercial banker. He resigned from Amtorg to undertake this function.

The accusation that he is or ever was only an Amtorg agent in an outside office is denied, and with dignity, by both sides. As a matter of fact Amtorg disapproves of him, not personally, but in principle. Amtorg's natural contention is that his existence as a market for acceptances decreases the confidence of American firms in Amtorg's ability or willingness to pay.

Mr. Sherman himself deprecates his own existence as a cruel necessity and would prefer to work through or in a highly organized and well-capitalized banking institution. But his own usefulness he asserts with candor. In other words if he were not able to arrange cash purchases of Amtorg paper by wealthy firms and individuals here and in Europe who have a higher opinion of Soviet credit than have the run of American selling firms, why then the deals simply would not go through.

The machinery of Amtorg transactions is singularly clear:

(1) One may sell to Amtorg for all cash. This is today rare but it is sometimes done, usually in certain kinds of indispensable heavy machinery that we make better than other people, or that other people do not make at all.

(2) One may sell to Amtorg for, say, 55% cash and 45% in acceptances, and hold the paper one's self. This is done by the bigger, richer corporations.

(3) One may sell to Amtorg for 55% cash and 45% acceptances, the acceptances to be discounted at the banks, but with recourse, as is habitual in this market. The discount rate is the usual one; one must pay back the bank if Amtorg does not pay. This means is very general.

It's a Big Business

(4) One may sell to Amtorg for 55% cash and 45% acceptances and ask Mr. Sherman, or one of the other 5 or 6 brokers, or several at a time, to make a cash offer for the Amtorg acceptance, "without recourse." Just what proportion of the business flows through this channel is professionally and secretly the business of Mr. Sherman and the others, but it is known to be enough to make up a large sum per year.

The cash that is paid anonymously to American firms for their Amtorg paper—certified checks hide the iden-



"FIVE YEARS IN FOUR"—Local meetings keep up the interest in Russia's Five Year Plan; this one seeks to improve the cotton crop. Notice the Soviet propaganda posters on the walls picturing Communist leaders and the great advantages of life in the new Russia

tity of the purchaser effectively—comes for the most part from European individuals and trading firms who through their greater intimacy and nearer proximity to Russia have convinced themselves that they are better judges of Soviet credit than are the New York bankers.

The purchaser's profit is his discount rate. Mr. Sherman's own remuneration is his commission, for it may be assumed that he is not a principal to the extent of millions.

Rates are a secret, of course. But a good guess is 12%. Since much of this is 6 months paper, that is a husky discount.

The defects of the financial method are patent. If the German purchaser of a bill is right about Russia, then it is silly for the American machinery maker to lose more than a modicum to him in the discount rate. And if the American is right in his lack of confidence in Russia's ability or willingness to pay, then it is foolish for the German acceptance buyer to take on such a risk. Who is right?

But that is always the question in commerce.

Machine Tool Company Follows Its Own Advice

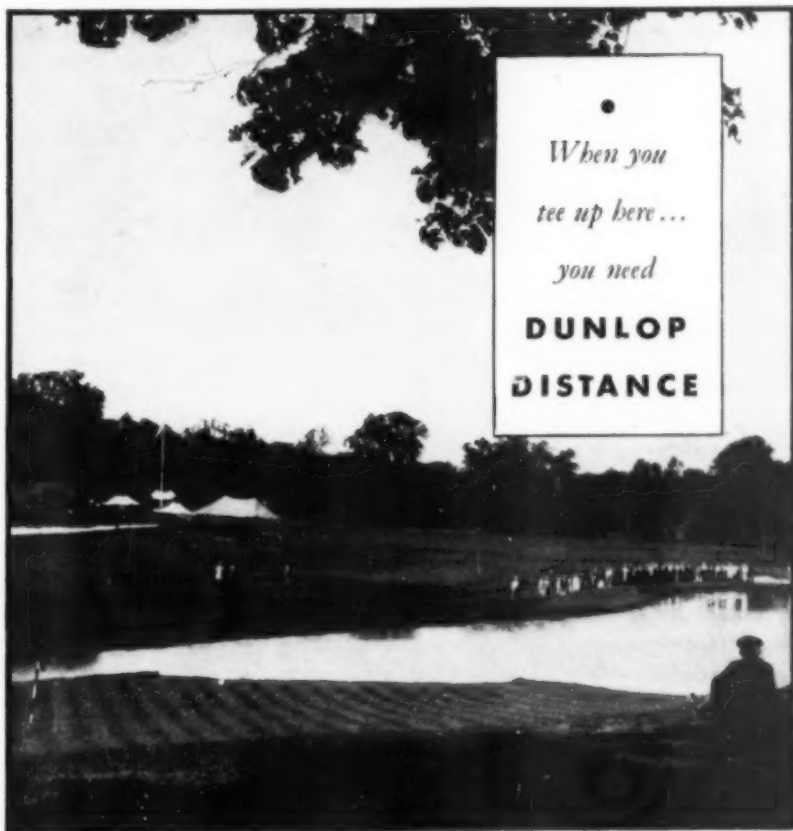
THE hoary legend about the cobblers' barefooted children does not apply to Ingersoll Milling Machine Co., machine tool builders of Rockford, Ill., because it has modernized its shop equipment to an extent seldom equaled in any industry.

Two years ago the company adopted the policy of making the production department justify the continued use of any piece of equipment over 10 years old. Results have been a reduction of old equipment to less than 15%—an unusual record for any plant. Savings from lower production costs, reduced floor space requirements, and decreased maintenance costs have produced profits surprising even to those most thoroughly sold on the modernization policy.

An important feature of the Ingersoll plan is that machine replacement is for modernization purposes only, not to expand capacity. New machines are bought with capacity equivalent to that of old equipment displaced regardless of number of units involved.

Examples of results: 6 modern radial drills replaced 10 with an average age of 12 years, reduced floor space and maintenance requirements and made a direct reduction of 15% in machine

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tance. More than that, you need Dunlop confidence. You need that sureness that comes with the first click of an Imported Dunlop off your driver. Think: In all the time you have played golf, have you ever heard anyone ask for a better golf ball than a Dunlop? At your pro's. See him today. ● ●



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time. Six engine and turret lathes replacing 11 units averaging 14 years save 15% to 20% in machine time, chiefly through the use of new cutting alloys made possible by the greater capacity of the new tools. Two bevel gear-cutting machines replace 4 veterans of about 18 years and save from 20% to 30% in machine time. Seven out of 8 internal grinding machines were replaced with 5 new ones and the savings, with one old one still in service, are 8% to 12%. Four new shapers replace 6 old ones and save 15%; 2 thread millers replace 4 and save 25%. The company operates 9 heavy milling machines of

its own make, ranging in age from 1 to 5 years. These machines are sold regularly and a saving of at least 10% has always been realized when one of these still comparatively new machines has been superseded by a yet more recent model.

Summarizing results, *American Machinist* reports an increase of from 25% to 75% in output per square foot of floor space, from 50% to 90% in shipments with an increase of only 13% in working capital, 30% in capital investment, and 20% to 50% in labor—the higher figure representing the 1929 peak.

The typical Russian engineer may be lacking in practical experience but chances are he is better informed on pure science and engineering theory than is the man imported from America. Many an American engineer has gotten off to a bad start in Russia as a result of being tangled up in a third degree of scientific questioning by a group of Russian technicians.

Always Under Russians

Russia is seeking self-sufficiency; American engineers are not put in charge. There are always Russians over them. Americans are for the most part merely a temporary expedient. This very fact is a handicap to getting fully satisfactory results. Frequently both parties are disappointed. Carmody observes: "If Americans sometimes get less than they expect in Russia, the Russian government frequently feels that it gets less than it pays for."

In a land where can-openers and toothbrushes are regarded as luxuries, American workers must expect to find discomfort. Food lacks variety. A newcomer is likely to suffer from dysentery or some sort of skin rash until he gets used to the diet. Neither ice nor milk is plentiful. There is practically no refrigeration. If wives go along, they must learn a new marketing technique. Often Russian authorities have failed in sincere efforts to make Americans comfortable because they were totally

6,000 Artisans Going to Russia Glad to Take Wages in Roubles

SOME 6,000 skilled American workers of various trades, many accompanied by their families, will go to Russia before the end of 1931, Amtorg Trading Corp. announces. About 2,000 have already been hired. They pay their own passage; their wages will be entirely in roubles. Yet Amtorg reports 100,000 applications for the remaining 4,000 jobs.

This organized migration will represent a tripling of the total number of Americans now helping Russia work out the Five-Year Plan. About 1,000 engineers and upwards of 2,000 skilled workers are already at work.

John M. Carmody, editor of *Factory & Industrial Management*, who returned in July from a 3-month 10,000-mile observation tour in Russia, brings back information that sheds light on what Americans may expect there.

All Russia a School

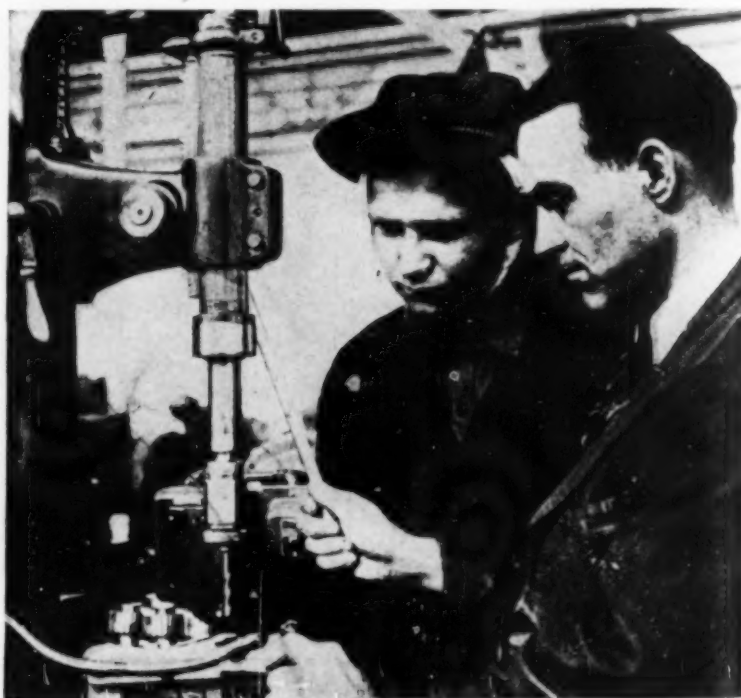
"Practically everybody in Russia is either teaching or studying," Carmody remarks. "Life there is serious and intense. Men and women are under pressure, as they were here in wartime. Evenings are work periods. Night schools abound.

"Many Americans have gone to Russia without realizing the extent to which they are expected to be teachers. Those of a type ill-adapted to teaching are not likely to get along well."

It is reasonable to assume the main reason for this new importation of skilled Americans by the thousands is to speed up the long and difficult task of training hundreds of thousands of peasants to become expert workers in industry.

Success of American engineers in Russia depends not alone on their straight technical skill and practical experience, Carmody reports. Practical diplomacy, ability to get along with people, adaptability to new conditions, are quite as important as a wide technical experience.

It is essential that American engineers be able to get along with Russians. "Brush up on your theory before you go to Russia" is Carmody's advice.



AN AMERICAN IN RUSSIA—Hugh Guerment, of Detroit, instructs a Soviet workman in the great Stalingrad works, center of tractor production

ignorant of our American manner of living.

Russians are Asiatic enough to be good bargainers. They are taking advantage of the depression to write more and more favorable contracts with imported engineers. The tendency is to pay more in roubles and less in *valuta* (foreign exchange). As roubles cannot be taken from the country, a foreigner can save only what he gets in *valuta*. Early contracts often called for 100% payment in dollars. Later contracts read 75% dollars, 25% roubles. Recently the *valuta* percentage has fallen as low as 40%. These workmen will be paid wholly in roubles.

Public Wants Economy; Hill Offers Bull Durham

GEORGE WASHINGTON HILL, president of American Tobacco Co., master purveyor of every variety of "smokes," with his finger constantly on the pulse of public preference, has brought Bull Durham tobacco out of practical retirement, cutting the price from 8¢ to 5¢. Merchandisers find it a significant move.

The "roll your own" habit, already waning with the rise of tailor-made cigarettes, practically went out of fashion with the World War. Bull Durham advertising was discontinued in 1923. American Tobacco Co.'s Lucky Strike cigarettes continued to rise in popularity

until in 1930 they accounted for 38% of total consumption.

Recently, cigarette sales have suffered. In some states excessive cigarette taxes, added to the 6¢ per-pack-of-20 federal tax, pushed retail prices too high for many smokers. Then on June 24 came the increase in wholesale prices (BW—Jul'8'31) further affecting retail sales (BW—Jul'26'31). And the depression alone caused smokers to roll their own.

Mr. Hill is promptly capitalizing the new trend. At 5¢ the smoker buys the makings for 20-odd cigarettes. He pays about 1¢ for federal tax, and most states have no tax on loose tobacco. And if sales of Luckies decline Bull Durham may take up the slack.

Livestock Industry Makes Plans for Drought Relief

COMPREHENSIVE plans for the relief of the livestock industry in the West, crippled by the drought's destruction of feed crops, were formulated at a conference of representatives from 9 Western states just completed at Salt Lake City.

Importation of concentrated feed, shipping of livestock to areas where feed is relatively plentiful, Red Cross assistance in the few sections where farmers are actually in want, and the reduction of grazing fees in national forests were among suggestions.

World Economic Conference Theorizes, Recommends Planning

AMSTERDAM (Cable) — The World Social Economic Congress opened here Monday under the auspices of the International Industrial Relations Association. About 500 delegates from 30 nations are in attendance, economic and social scientists from labor and welfare organizations, university professors, students, engineers, government officials, business economists, but few active business men. The American delegation of 35 is third in numerical strength, probably first in influence.

The chairman of the meeting is C. H. van der Leeuw, young, aggressive partner in the big Dutch tobacco firm of van Nelle, who was in the United States last spring promoting the congress. Mynheer van der Leeuw is president of the International Industrial Relations Association.

Chief object of the Congress is to examine ways and means to combat world-wide unemployment, with its waste of human energy caused by the maladjustment of productive capacity to purchasing power.

While in this aspect the congress is mainly radical and humanitarian, with strong leanings toward socialistic theories, nevertheless there is an evident desire to arrive at some practical conclusion which would eliminate political turmoil, and would reconcile the existing social structure to the need for a drastic economic reorganization.

Early interest has centered in the statement made by Dr. H. P. Person, managing director, Taylor Society, New York, who sees a solution of the problem in the extension of scientific management, so successfully developed in

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**THE
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"Bound to get there"

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ACME NAILLESS BAND
makes containers 300% stronger

Keeps nails from pulling—stops damage. Permits marked reductions in thickness of lumber used in box and crate construction, saving on freight as well as material costs.

Also used for bundling, baling and tying jobs of every description, and in many instances has enabled manufacturers to do without containers altogether.

Write for new booklet showing various money saving applications of Acme Nailless Band, and the complete line of Acme Strapping Equipment. Check up on your shipping costs, it's a sensible way to save.



76

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individual enterprises, along national and international lines, merging this movement with current rationalization movements and thus effecting collective stabilization of world economy.

Pointing out the difficulties—legal, physical and mental—of including the United States in such a world-wide plan, Dr. Person sees considerable encouragement in recent utterances of business leaders like Owen D. Young, E. N. Hurley, Thomas L. Chadbourne, Paul M. Warburg, George E. Roberts, and Albert H. Wiggin, which indicate that industrial and financial leadership in America has begun to think internationally.

Asks 5-Year Moratorium

Also of unusual interest was the paper by Dr. Lewis Lorwin, Institute of Economics of Brookings Institution, Washington, who boldly proposed a 5-year world plan to include a moratorium for the same period upon all war debts and reparations. He would also issue international loans to promote productive resources and stimulate purchasing power and, finally, would divide control of the world markets among the various nations by means of a world planning board.

Third interest center was the Soviet delegation, which presented a voluminous report on the progress of the 5-year plan and criticized the Lorwin proposal severely, asserting it was quite impossible to realize such an aim under capitalism.

Discussions throughout the week reveal the tremendous difficulties confronting an international, even a national, economic plan. It involves the subordination of private interests to mass control, personified either in national governmental bodies or in an international council which, in either case, would have dictatorial powers and would be influenced by collectivist ideology.

Research Work Needed

German and French industrialists at the congress point out that such a dictatorship would be impossible to obtain by voluntary abdication of individual rights; that it could result only from dire distress such as Germany has known recently, or from terroristic compulsion as in Russia.

There was general agreement that the first essential for any plan is more thorough research work and more reliable statistics. Chief practical results of the congress are expected to lie along those lines, apart from the stimulation to thought on the organization of world planning.

Business Abroad—Swift Survey Of the Week's Developments

Financial storm has emphasized European inter-dependence and talk of union is revived with start of "breathing spell".... The Continent watches as Britain meets crisis with a coalition government.... France, remembering Poincaré's device, approves but fears British tariff.... Her foreign trade has taken a fresh and disturbing slump.... Germany, disappointed over bankers' reluctance on long-term credits, is pleased by "weighty appeal for reparations revision," meaning the Wiggin report.... Unemployment increases and business declines further or marks time pending political action.... Politics add to general uncertainty in Latin America.... Japan's security markets are steady but commodities, excepting silk, decline.... China fights famine, increases imports from United States.

Europe, Granted a Stay, Studies Rescue Moves

EUROPEAN NEWS BUREAU (Cable)—While European eyes were riveted on Britain this week, European minds were grappling with the realities laid bare by the fury of the storm which, last week, headed directly across the North Sea. Six months ago it was unbelievable that a mere bank failure in decapitated Austria could so violently rock the European economic structure to the very bottom. Today it stands demonstrated that Europe is integral and must hereafter coordinate as such. One result is that renewed emphasis is being placed upon the immediate need of establishing a United States of Europe, in actual fact if not in name.

As yet, none of the specialists so deeply absorbed in the problem of European restoration has offered an acceptable solution. The most that has been accomplished has been agreement on a period of tranquillity in which every country will have time to realize the extent to which European politics and finance have become interconnected nationally and internationally. Emergency measures have been taken. Europe as a whole has its war debt holiday, Germany its short-term extension, Great Britain its tri-party ministry. Long-term controls, like long-term loans, are still to be set up.

There is general doubt whether Britain's new "National Government" can last beyond the time of immediate need since a coalition is highly incompatible with British political feeling. MacDonald's announcement is regarded as ample insurance that the budgetary position will be given immediate precedence over all other considerations. However, it is felt that some time must intervene before other measures such as the 10% tariff can be imposed. England has good reasons for caution. For example, her trade has already dropped far below pre-war levels. Suppose a tariff brought retaliation from other trading states—and a further decline.

Stabilization Loan

Talk of another loan—or even of renewal of the recent \$250-million credit—by the Bank of France and the American Federal Reserve in order to maintain the price of sterling is met by the objection that both banks are prohibited by statute from making advances for more than 3 months. However, it is felt likely that if a new stabilization loan becomes imperative an external long-term bond issue is quite feasible through mutual participation by American and French private bankers.

The results of the Basle conference appear on first view entirely negative, though highly significant. The German business man had hoped beyond hope that means could be found for consolidating the Reich's short-term credits into a long-term loan. At first taste, he found the Basle report like a dash of vinegar. However, the 6 months' "standstill," while not a solution in itself, affords time for Germany and her foreign creditors to arrive at some amicable settlement. Furthermore, though there was no explicit mention of a revision of reparations—blocked by Moreau's threat to leave the committee without a French member—Germany insists that the logic of the report makes it unavoidably an appeal for a revision of war payments.

Gentlemen's Agreement

One peculiarity of the Basle agreement is that the central bank credit of \$100 millions is extended only by a gentlemen's agreement because, again, neither the Bank of France nor the Federal Reserve could officially lend beyond their 3 months' limit.

The international tin pool has been formally completed and has made itself responsible for the absorption of 20,000 tons of old stocks. It intends to hold these until the price of tin rises to £150 a ton and stays there for a month. Thereupon, there will be gradual releases from stock in accordance with a rising scale of prices. Holdings will not be obtained from the open market but from stocks now held by smelters.

Meanwhile, the Chadbourne sugar control plan has been threatened. The German crisis has necessitated a superactivity in that country's exports, leaving her uneasy under the sugar quota; Dutch bankers who have been financing Java planters have been forced by financial embarrassment to realize their credits. It is reported that during last week the whole of the remaining 1930 Javanese carry-over and 150,000 tons of new muscovados sugar have been dumped. Surmised destination of most, if not all, of this sugar is China.

British Business Awaits Action of Politicians

National government favorably received.... Business encouraged but awaits detailed program.... Insists coalition complete job before elections.... Markets mark time during crisis.... Saturday exchange opening criticized.

LONDON (Cable)—The formation of a National Government is regarded favorably by business but, despite the reassuring statements of Messrs. MacDonald and Baldwin, full judgment as to whether the crisis is over has been reserved pending announcement of the new cabinet's detailed program for dealing with the country's difficulties (page 5).

Business opinion is generally hostile to the suggestion that the new administration should merely adjust the budget, then dissolve Parliament and call elections. It wants the coalition to remain at the helm until there is no further doubt that the right cure for national ills has been found and applied.

MacDonald's stand that nothing short of drastic economies can prevent a collapse in sterling with a subsequent dislocation of the economic structure sufficient to precipitate social chaos by Christmas has forced the inevitable break with his Left Wing. Henderson, who now leads that section of the party in opposition to the National Government, has long managed the Labor

party's electoral machinery. Fear of his power to unseat Labor adherents of the Premier may weaken the coalition majority.

However politicians feel, business has been encouraged by the mere change in the governmental set-up and the assurances of economy without a heavy increase in direct taxation, with a tariff still a possibility.

Decision to open the Stock Exchange on Saturdays after Sept. 19 has met with a mixed reception. This return to the pre-war schedule is regarded as, in the main, a gesture by brokers to emphasize the fact that the country must work longer and harder instead of supinely waiting for business improvement. Objections are that a Saturday opening interferes with routine work in boom periods, is useless in slump times. With a Saturday closing, Monday's volume is always 25% above that of any other day of the week.

Industry, finance, commodity markets remained in a state of suspended animation during the week, pending the culmination of the crisis.

German Credit Easier But Declines Continue

Domestic credit situation clearing. . . . Uncertainty brakes business recovery. . . . Foreign exchange still artificially supported. . . . Wiggin report pleases Reich. . . . Crisis swells unemployment.

BERLIN (Cable)—While the domestic credit situation is making satisfactory progress in the hard pull back to normal, the sharpening of the world depression and the general uncertainty prevent a proportionate recovery in business. Industrial activities show further declines unaffected by the formal success of the Basle negotiations.

Despite the Reichsbank's \$50-million increase in foreign exchange holdings since mid-July, the situation remains highly artificial since the increase has been due chiefly to the commandeering of private holdings and the virtual moratorium on all foreign payments excepting current commercial transactions. Foreign exchange proceeds from exports do not reach the Reichsbank but are used for financing further exports and to fill the vacuum created by the previous withdrawal of foreign documentary credits. Thus the present formally satisfactory position with the Reichsbank's gold cover again exceeding the 40% minimum is not the result

of a natural equilibrium. Nevertheless, business welcomes the decree re-admitting forward transactions in foreign exchange which enables the import and export trade to insure the exchange risk.

German business hails the report of the Wiggin Committee (BW—Aug 26 '31) as a unanimous endorsement by international banking opinion of what it feels is the correct diagnosis of Germany's—and the world's—financial ailments. In the conclusion "Time is short," it finds the keynote of the German situation. Although the word "reparations" is not mentioned in the report, Berlin does not see how the weighty appeal for revision can be misinterpreted. Moreau's signature as French representative on the committee is, therefore, a matter of particular interest to the Reich.

Extension Criticized

The agreement prolonging the short-term debt is welcomed but criticized because it covers only bank debts, \$1.2 billions of a total of \$1.7 billions, leaving public and industrial short-term obligations open for further negotiations; also because the arrangement on foreign mark balances, allowing withdrawal of 25% immediately and 15% later constitutes an immediate call on \$50 millions of the Reichsbank's foreign exchange.

Re-opening of the stock exchange, definitely fixed for Sept. 3, is no longer anticipated with misgiving. Fears of disturbance have been allayed by: (1) the consummation of the short-term agreement; (2) the reduction of the loan rate to 12% with the prospect of an early further drop in both discount and loan rates; (3) the provisions made by the Reichsbank to forestall mass sales of bonds by savings banks and social insurance institutions; (4) the promise of the banks to exercise leniency on unliquidated security loans, to allow liberal margins and postpone executions. But, in spite of all precautionary measures, there is a strong possibility that the bond market will reopen about 15% below pre-panic price levels with stocks even lower.

Unemployment Increases

The effect of the credit crisis is now reflected in unemployment figures with the first half of August showing an increase of 114,000 jobless, bringing the total to 4,104,000. July coal sales dropped 5% and further shutdowns are expected in both coal and steel.

Failures of the week include that of Schweitzer & Oppler, outstanding scrap iron concern, involving a loss of \$3 millions. Leading steel concerns with



THE BANK OF FRANCE—Much of Europe's gold passes through this doorway, guarded by a gendarme, a bank policeman, and a poilu

interests in the firm have decided to cover its foreign liabilities fully to protect German credit abroad.

The Mansfeld Co., which has been carrying on copper mining with an annual subsidy of \$2 millions from the government, now declares it needs more help in face of increasing losses and has demanded that the railways and other government institutions be required to give preference to the German metal.

Wheat Import Plan

While the Hoover wheat credit plan is considered as definitely shelved, proposals for an exchange of imported foreign wheat for the exported German product have assumed definite shape. It has been decreed that the import duty for wheat will be reduced from the present rate of \$50 dollars per metric ton to \$20 on condition that the importer can produce evidence that he has exported the equivalent quantity of German wheat prior to Dec. 31, 1931. And, while millers are ordinarily allowed to use only 3% of foreign wheat, an additional 27% of the foreign product will be allowed on the same condition of previous export of German wheat.

Estimates of the quantity of foreign wheat which can thus be imported up to the end of the current crop year vary from 500,000 to 700,000 tons.

Foreign Trade Slump Clouds French Prospects

Foreign trade decline disturbing. . . . Unemployment and wage cuts increase. . . . American cotton report hits textile industry. . . . Steel fighting for export orders. . . . Paris optimistic over English situation but fears tariff.

PARIS (Cable)—French business men are studying July foreign trade returns with considerable uneasiness. Imports totalled \$145 millions, 18% below the July, 1930, level. Exports amounting to \$97 millions show a loss of 31% and reach the lowest point since the stabilization of the franc. Gaging the future from this, business tends to be increasingly pessimistic about winter prospects.

Interest in Paris this week centered on British developments. Comment reflects sympathy with England. Despite the huge amounts of French capital invested across the Channel, no anxiety is felt over British ability to weather the storm. It is recalled that France went through a similar experience in 1926 and was pulled out—as Britain hopes to be—by a coalition, that of Poincaré's "National Union" cabinet. The formation of such a cabinet by MacDonald has unreserved French approval. However, France is dismayed by her best customer's con-

templation of a 10% tariff which would further handicap French export trade.

Reports that the \$250 million Franco-American credit to the Bank of England has already been exhausted caused surprise but French banks and the Bank of France are ready to make new loans provided that the United States collaborates, particularly since the coalition has taken over.

Unemployment has increased slightly, part-time being general in the Roubaix textile district and the northern coal basins, with wage reductions spreading. Most notable cut has been that of 3% affecting 100,000 Roubaix metal workers.

Iron and steel appear to feel the effects of the depression more acutely than other industries.

Cotton Trade Worried

Announcement of the heavy 1931 crop of American cotton has caused considerable dismay in France. Large stocks purchased at high prices worry the French cotton industry more than the prospect of cheap raw material pleases. Cotton goods manufacturers who were hoping to get through the depression at no great loss, now find their wait-and-see policy hopeless and, unable to hold stocks indefinitely, will have to sell at a loss. At the same time, outlets are narrower than ever; even the French colonies are buying less despite efforts to push French goods there.

Politics and Depression Disturb Latin America

Chilean situation uncertain. . . . Cuba quiet again. . . . Argentine foreign trade balance favorable. . . . Uruguay proposes ban on imports. . . . Colombian revenues increased.

THE immediate outlook in South America remains adversely affected by unsettled political conditions and continued business depression.

There is considerable uncertainty in Chile, whose political stability depends largely on conditions in the copper and nitrate industries, both greatly depressed. Foreign bankers have been watching the situation carefully since the announcement of moratorium on government debts last week, to see if any similar action will be taken regarding commercial debts. Meantime, the Chilean government is working on a plan to save \$85 millions from next year's budget and place this fund against interest accumulations on its debts.

The situation in Cuba is clearing up. The rebellion has collapsed but it is expected that some of the reforms demanded by the rebels will be enacted.

The date on which the \$50-million Argentine loan falls due is only about a month away. Though the failure of American bankers to renew the loan has caused some resentment, it is felt that Argentina will meet this payment on time. It remains to be seen what effect this will have on Argentine currency. The present reaction is reflected in sharp break in Argentine bonds.

In order to strengthen its financial position, the Argentine government is planning drastic slashes in all budgetary expenses, except the debt service, for which appropriations are to be increased from 228.6 million paper pesos to 238.6 millions.

Uruguay Boosts Peso

In Uruguay, the national administrative council has authorized the central bank to ship gold to the value of 5 million pesos, of which 3 millions are to cover foreign obligations falling due in the next 3 months. Announcement of this sent the peso up.

Two significant measures are now before the Uruguayan Congress. One bill would guarantee an exchange rate of 25 pence per peso after December 31 for payment on foreign obligations, on the collection of which a moratorium has been granted until that date. The other project is to ban on the importation of "non-essential" merchandise.

The situation in Brazil is being ad-



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versely influenced by declining coffee prices. With interior stocks of coffee totalling about 20 million bags at the end of August and a large crop in view, the outlook is far from encouraging. Brazil will soon start shipping coffee in exchange for Farm Board wheat, but this transaction will have little effect on her situation (page 8).

Colombia's national revenue for July showed a pronounced increase over June—\$5 millions against \$3.3 millions in the previous month. A large part of this was due to higher income tax revenues, especially from the 2 oil companies operating there.

It is reported that the representative of the Swedish Match Co. will soon return to Colombia to resume negotiations for a match monopoly. According to the Colombian Cable & Air Mail Weekly Service, the proposed loan under this monopoly will probably be 15 million, not 20 million, pesos.

In Ecuador a change of régime has taken place. Resignation of President Ayora, in office since 1929, is reported due to the the hostility of army officers. His successor is Col. Luis Larrea Alba.

Japanese Securities Firm But Commodities Weaken

Stocks and bonds steady....Raw silk firm....Cotton weaker....Big slash in Japanese budget....China asks better terms from Farm Board, swells American imports.

THE Japanese situation remains featureless. Stocks and bonds are steady. But the principal commodities, with the exception of raw silk, tend to sag.

Japan's estimated revenue in the 1932 budget will be about 130 million yen less than this year. To meet this deficiency, the government will cut expenditures 90 million yen; the balance will be covered by bonds.

The flood ravages in China are assuming more alarming proportions. T. V. Soong, finance minister, announces that the Nanking government plans to make cash purchases of foodstuffs to the amount of \$50 millions Mexican, besides credit purchases.

No arrangement has yet been reached on the sale of Farm Board wheat to China. China seeks a 10-year credit, while the board's original offer was for a 2½- to 4-year credit at 4½%.

Reports to the U. S. Department of Commerce show marked increases in China's imports of American cotton, wheat, flour, leaf tobacco, and silver.

The Figures of the Week And What They Mean

Signs of the seasonal fall bulge in business, usually evident after mid-August, are slow in appearing.... Steel fluctuates around record low levels with increasing uncertainty about the extent of September improvement.... Carloadings, electric power production, check payments continue unseasonably slack.... Signs of tapering off in textile activity appear.... But building contracts show some slight relative improvement, and commodity prices on the whole continue fairly stable.... July industrial production was close to the December low level, and August will probably be lower.... Currency circulation climbs to new heights as confidence contracts.... *The Business Week* index falls to a new low of 71.5% of normal for the week of Aug. 22, compared with 73.6% the preceding week.

STEEL ingot production fell off again to slightly under 32% of capacity this

week. Irregular operation on thin orders, with sporadic speeding up and slowing down of individual plants, accounts for these fluctuations and indicates no significant trend. *Iron Age* says demand still fails to foreshadow the expected seasonal rise in production, evidences of improvement in business to date being little more than "ripples on a sea which remains at ebb tide." Our adjusted index of steel activity has fallen back this week to 49% of normal, about the average position during the past two months.

Automotive Output

There is still some faint expectation of delayed expansion of automotive output in September or later, but the prospect is shrouded in uncertain rumor regarding new model plans of important producers. Recent upturn in automotive steel specifications has not been followed up strongly enough to indicate any great September expansion in motor production.

Other main sources of demand continue irregular and show no significant changes. Railroad demand is still under the cloud of dubious earnings prospects, July reports showing somewhat intensified declines. Tin plate demand has been depressed by poor crop prospects in some lines. Line pipe construction promises to continue later into the season, but the period of large new orders has passed.

Construction activity appears the most promising source of steel demand, particularly arising from speeding up of public work. Contract awards during the third week of August rather sharply reversed the downward trend of the three preceding weeks, bringing the total through Aug. 21 to almost \$162 millions, according to F. W. Dodge figures. This was 19.5% below the comparable period for July, and 36% below a year ago; but both these declines were considerably less than were shown for the first half of August. Our adjusted index, however, declined sharply to 48% of normal, owing to the dropping of a high end-of-July weekly total from our four weeks' average on which the index is based.

The largest relative improvement in

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....

Production

Steel Ingot Operation (% of capacity).....	32	33	58	74
Building Contracts (F. W. Dodge, daily average in thousands, 4-weeks basis).....	\$9,302	\$10,295	\$13,558	\$19,902
Bituminous Coal (daily average, 1,000 tons).....	*1,162	†1,134	1,362	1,551
Electric Power (millions K.W.H.).....	1,643	1,629	1,691	1,541

Trade

Total Carloadings (daily average, 1,000 cars).....	124	122	154	174
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	82	99	110
Check Payments (outside N. Y. City, millions).....	\$3,820	\$3,781	\$5,005	\$5,377
Money in Circulation (daily average, millions).....	\$4,969	\$4,918	\$4,475	\$4,755

Prices (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.44	\$.44	\$.80	\$ 1.15
Cotton (middling, New York, lb.).....	\$.069	\$.068	\$.114	\$.178
Iron and Steel (STEEL composite, ton).....	\$31.04	\$31.04	\$32.88	\$35.65
Copper (electrolytic, f.o.b. refinery, lb.).....	\$.073	\$.073	\$.107	\$.140
All Commodities (Fisher's Index, 1926-100).....	69.4	69.5	82.8	94.1

Finance

Total Federal Reserve Credit Outstanding, (daily average, millions).....	\$1,139	\$1,084	\$992	\$1,222
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$22,001	\$22,075	\$23,136	\$21,449
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$7,885	\$7,863	\$8,507	\$8,828
Security Loans, Federal Reserve reporting member banks (millions).....	\$6,453	\$6,479	\$8,289	\$6,903
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions).....	\$1,349	\$1,343	\$3,102	\$3,891
Stock Prices (average 100 stocks, Herald-Tribune).....	\$117.21	\$118.41	\$160.69	\$155.66
Bond Prices (Dow, Jones, average 40 bonds).....	\$92.76	\$93.42	\$96.88	\$95.57
Interest Rates—Call Loans (daily average, renewal).....	1.5%	1.5%	2.3%	4.9%
Interest Rates—Prime Commercial Paper (4-6 months).....	2%	2%	3%	4.6%
Business Failures (Dun, number).....	444	451	436	394

* Preliminary

† Revised

the latest week's figures occurred in the non-residential group, which had been about 50% behind the corresponding period of last year during the first half of August, but with the latest week's figures showed a deficit of only 35% in the daily average rate. Residential contracts also showed some tendency to narrow down the lag behind last year, and were only 9.3% behind July in the daily rate for the first three weeks of August. Public works contracts showed practically no relative improvement.

Bituminous coal production has been showing a very mild seasonal rise since April. Our adjusted index, which has been declining since the beginning of July, remained unchanged at 56% of normal for the latest week.

Electric Power

Electric power production still gives no indication of sustained seasonal gain expected at this period. A rise in the total last week merely brought the level back to that of two weeks ago, and after seasonal adjustment left our index unchanged at 87% of normal. The sluggishness of the seasonal rise in power production is an important source of doubt about the extent of fall improvement in industrial activity.

Though cotton consumption continues at a higher rate than at this time last year, along with other lines of textiles, there is increasing doubt about the extent to which this improvement will be sustained in the next few months.

August is normally one of the months of most rapid rise in carloadings, but this year the downward tendency evident since early July has continued. Total loadings rose slightly for the latest week, chiefly because of increased coal shipments, but remain at about the same

level as at the end of July. Miscellaneous freight showed some increase, but this was offset by a decline in L.C.L. loadings. The total of these two groups, upon which our index is based, rose slightly but still lingers around the level of the past six weeks, although any marked increase in general trade in September should begin to show itself in the merchandise freight movement at this time. Our index, reflecting the less than seasonal rise, declined slightly to 69% of normal.

Bank Debits

Bank debits rose slightly for the latest week, principally in New York and other large financial centers. There was little change in other cities. Normally a rather large seasonal increase occurs at about this time in August. After allowance for this, our index, based on the average of the two latest week's figures, declined sharply from 84% to 79% of normal, with one exception the lowest of the year.

Currency in Circulation

The amount of currency in circulation continues to break records of recent years, including the boom ones, for this season of the year. It is now close to \$5 billions, almost exactly equal to the monetary gold stock of the country. Our adjusted index, which takes account of the decline in retail prices, keeps climbing steadily and now stands about 24% above normal. This is a rough measure of the excess of currency outstanding in comparison with the requirements for trade during a depressed period of business at low retail prices. It indicates that at least a billion dollars of currency is being hoarded by individuals and kept in bank vaults as reserve against unusual demands of

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

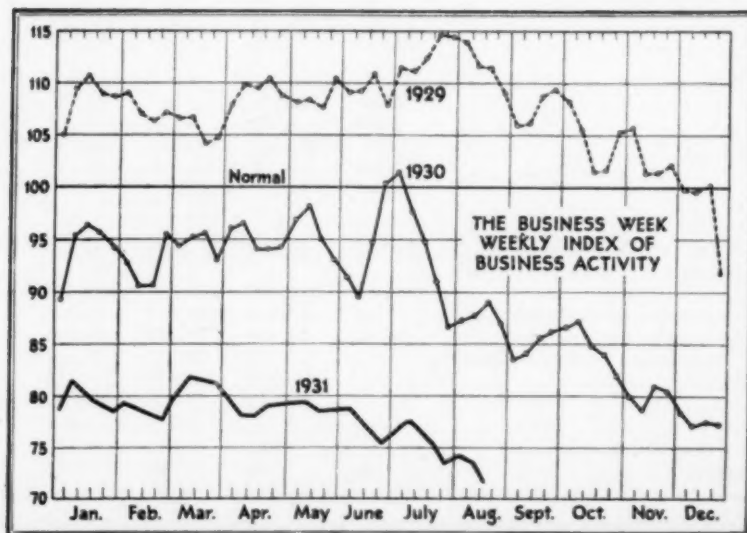
depositors at a time of diminished confidence in bank security.

Commercial Loans

Commercial loans rose slightly after their drastic decline during the preceding week, but remain only a little above the early June level. Normally a strong seasonal rise starts early in August. This year commercial loans rose during July, but have declined sharply since. These movements are rather symptoms of irregular banking conditions than of any trends in commercial demands for funds. Our index, in which account is taken of the decline in wholesale price levels, remains relatively high, at 12% above normal.

Commodity Prices

Commodity prices continue relatively steady in comparison with the high rate of decline that has prevailed during the past two years. The weekly composite indices have shown little change since the first or second weeks of June, a longer period of stability than any during the decline. Iron and steel and non-ferrous metals show considerable firmness, and though wheat and cotton are subject to fluctuations in a market in which speculative interest is abnormally thin, there is a growing feeling that these along with most other raw commodities have about exhausted their capacity for further drastic decline. Oil prices have strengthened under the pressure of continued restriction on production in Oklahoma and Texas, with prospects of further support in Kansas, but the effects of restriction have not had a chance to show up as yet in the weekly figures.



Trends of the Markets

In Money, Stocks, Bonds

Increased currency circulation and foreign action continue to tighten credit, a movement inadequately offset by Federal Reserve action . . . Serious bond market weakness continues, caused by the strain on financial institutions . . . Stocks, too, are weak, and Wall Street finds the outlook somewhat disheartening.

Reserve Fails to Check Tightening of Credit

THE potential sources of money and credit supply increased this week through a rise in gold stock to another new high, a rise in Federal Reserve credit and a decline in member bank reserve balances with the Federal Reserve. These were offset, however, by an unusually large drop in Treasury currency, a rise in total money in circulation, and the pouring of more foreign funds into Federal Reserve banks.

The continuing reduction in member bank credit, despite the somewhat more aggressive Federal Reserve policy of recent weeks, is an outstanding feature of the domestic money and credit picture. Large drops in recent weeks have carried total loans and investments down to their lowest since early 1930, a decline reflected in the drop in the bank reserve balances.

Simultaneously, disturbances in the

domestic banking situation are reflected in further rises in currency in circulation. This is partly due to a normal seasonal expansion at this period, but more important are the continued withdrawals of deposits in currency.

In this situation Federal Reserve policy has been more liberal; this week acceptance holdings rose \$26 millions to the highest since January. This follows other rises in recent weeks, and considerable purchases of government securities, though the latter operations ceased abruptly this week.

But the Federal Reserve action has not been sufficiently aggressive to prevent banks, being forced to borrow from the Reserve. These borrowings have been rising almost steadily for the last 8 weeks, and each rise tends to restrict the freedom of the banks in extending credit. This week's was largely in New York. The jump in currency circulation is partly responsible.

The other chief cause is the piling up of foreign funds in the Federal Reserve banks. Disturbances abroad in recent months have caused wholesale selling of both short- and long-term investments by foreigners. The proceeds have been deposited with the Federal Reserve, so as to be ready for immediate use. Turning funds over to the Reserve withdraws them from the money markets. This action, and the large currency increase, have been important factors in the

tightening of money, but partly offset by Reserve extensions of credit.

Money rates showed practically no change in short-term forms. Additional disturbance of the bond market further tightens long-term money. Banks continue to reduce interest paid to depositors. This week saw the National City Bank cut its rate to thrift depositors by 1%.

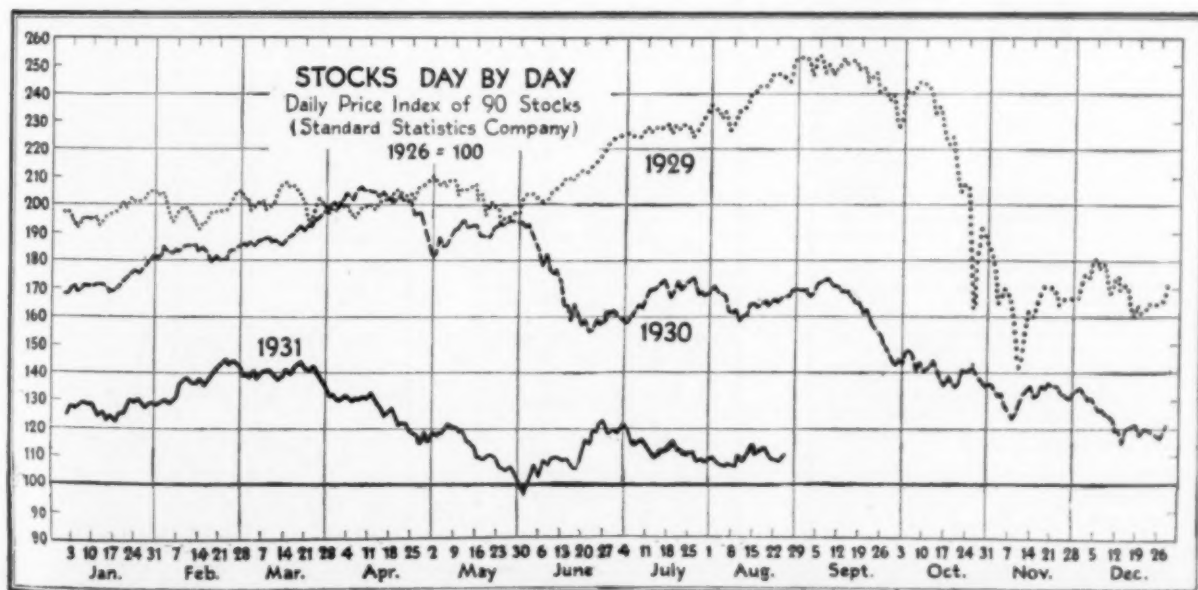
The acceptance market is a dull affair, suffering from foreign difficulties. Demand is only for the prime bills, mostly those bearing the names of leading New York City banks.

Precedents Count Little In Present Stock Market

STOCKS have now lost what ground they gained in the little rally of 2 weeks ago. The market remains a dull, largely professional affair with outside participation nearly nil.

Since the early part of July, averages have moved in a very narrow range. A horizontal movement of this deviation is unusual. Coming after so long a depression it might be interpreted as a period of accumulation. But the market finds disturbing factors in the way of any such view of the situation.

(1) The traditional fall rally is now 2 or 3 weeks overdue, and even the most diligent horizon-scanners in Wall Street are losing hope of its appearance. Last year, bad as it was, presented speculators with a substantial 5-week run-up at this period. The market obviously has not yet found sufficient grounds on which to base even the scantest seasonal



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cheer. And to those who hold that the market forecasts business conditions this is not a happy augury.

(2) Rails lost a little more this week and are virtually at their lows for the depression. These securities have frequently pointed the way to the market. They are today getting the closest scrutiny of any group—and yielding no encouragement.

Slight Rally Offers Small Relief in Bonds

BONDS bumped badly downward this week, continuing what the financial world calls its gravest situation. A slight rally in some issues later in the week was welcomed with a sigh of relief accompanied by hopes that were fervent but a little lacking in conviction.

Investor confidence continued to flow out of nearly all issues most of the week. Even the heretofore firm utilities continued their abrupt dip started last week, while rail and foreign issues again dived dizzily. Industrial issues were relatively the firmest, experiencing a smaller decline.

Institutional Selling

Institutional selling is more important than individual sales in the present situation. The banks, insurance, and other financial companies are witnessing a progressive weakening of the position of their railroad senior securities, through reduced earnings. Large-

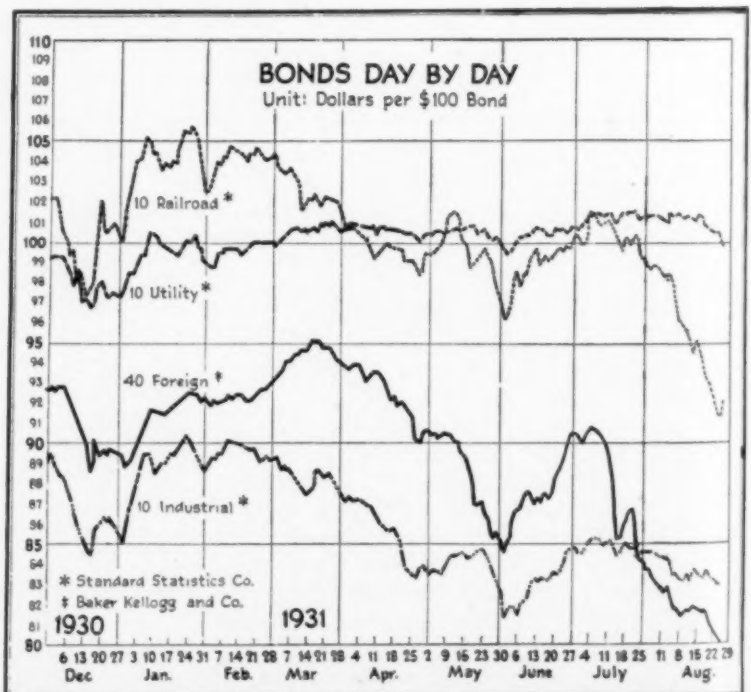
scale removals from the legal lists are in the offing. Removal does not force immediate selling, but it means almost certainly lower prices. Institutional attempts to sell now meet a thin market and lower prices; but attempts to hold on are met by fear of their cost. What is true of rails is true of many issues in other sections of the market.

Many institutions have chosen to sell now because of their great need for cash resources at all costs, due to deposit withdrawals. They have also appraised the future of most bonds as bleak, and have determined to get out. The decline, of course, weakens all bond portfolios.

Foreign Issues

Among the foreign issues, South Americans were the weakest; Colombians, especially, dropped sharply on talk of a moratorium. Brazilians, long weak, were a little firmer. Only small movements occurred in the European list.

The outlook is still obscured. The last 8 weeks have erased more than 8% from rail and foreign issues prices, somewhat less from industrials and utilities. Such a precipitate drop can not continue forever, as buyers will be attracted at some price. Further, some issues are now selling on a basis already anticipating default. Such optimistic reasoning has a place in present calculations, but the strained institutional position bars placing too much faith in it immediately.



Utility Gives More Power To Its Local Managers

SUPPORT of the thesis advanced at the recent conference of smaller industries that small business units offer greater possibilities for good management than huge, highly centralized organizations is found in the recent action of Engineers Public Service Co.

This holding company, owned by Stone & Webster since March, 1930, supplies electricity, gas, and transportation for 785 communities in 12 Southern, Southwestern and Rocky Mountain states. It has just decided to give almost complete autonomy to its local managers; reserves for the supervisory company only the determination of basic policies, final decision as to what new capital shall be invested in operating companies, determination of financial policies affecting fundamental accounting, distribution of earnings, and similar matters.

Two Reasons for Change

Two reasons for the change in policy are given in the company's conclusions that high-caliber local managers can be developed only if they are granted a large measure of responsibility and that satisfactory public relations demand the employment of managers familiar with local conditions.

Public utility interests will watch this experiment with interest because, while it is not entirely new, no other large organization has spread responsibility on such a vast scale. The charge that local utilities are operated by employees of a metropolitan banking group with no concern in local affairs is becoming one of the most serious questions facing the public utility industry. Experience indicates that where local managers have been accorded a wide range of power and responsibility public relations are usually satisfactory.

Need Public Confidence

Electrical World points out that the greatest present need of utilities is public confidence; that confidence can be built up only if it is merited. Essentially, confidence is based upon policies which divide benefits equitably between owners, employees and public. Specifically, this journal suggests, confidence may be engendered by making sure that all practices and policies merit public respect because they are fair and sound; by readjusting those policies which, while essentially fair, have the appearance of evil; by using the laws of public psychology to tell the public the true story of what is being done by the utilities.



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THE BUSINESS WEEK

The Journal of Business News and Interpretation

September 2, 1931

Salvation by Suicide

THE Farm Board's plea to cotton growers to turn under every third row of this year's growing crop is probably the first time the government of any civilized nation has asked a group of its citizens to promote their prosperity by the organized destruction of their property and of the national wealth. The simultaneous use of armed troops to prevent the production of oil in Texas and Oklahoma is the same sort of thing, though in this case an irreplaceable natural resource of military value is involved.

These events are obviously no ordinary incidents of depression. They are of historical significance; landmarks in the evolution of our economic system. Nothing more is needed to make us aware that this is no mere business depression we are experiencing but a fundamental and far-reaching revolution in the basic conditions and concepts of our business structure. To understand their significance requires a complete shake-up of our ideas. It is useless to explain them in terms of the effects of the heat on the frailty of official intelligence in Washington, Houston, or Oklahoma City. These things go far deeper.

They are the ultimate outcome and extreme reflection of the universal and uncontrolled collapse of prices which is at the root of the depression. This collapse is the consequence of a world-wide deflation of credit which has contracted purchasing power and curtailed consumption by crippling the exchange of commodities and labor—even to the unprecedented point where civilized nations have to barter their products without using money at all.

Cotton, oil, and all other natural products have been especially severely affected because their production is not quickly or easily controlled. But even if they were, control of production of particular commodities, and least of all their destruction, is not the answer to a universal price deflation like this.

The answer is on the other side of the bal-

ance—the purchasing power which in our modern capitalistic system has its source in the credit circulating through the channels of world trade, industry, and investment. Control of production of individual commodities is an intelligent and necessary way of maintaining the balance of price relations among them in normal times; but it is a *reductio ad absurdum* to suppose that the world can enrich itself and restore prosperity by curtailing the production of everything and destroying what it has produced. Every such act decreases employment, reduces purchasing power, and diminishes future capacity to produce.

The world needs everything it can create, and can use everything it has. If this were indeed the way out of depression, the best thing the government could do would be to appropriate a fund for the purchase of dynamite to blow up a third of our factories, houses, and railroads, and order us all to burn our stocks of commodities and our securities in a grand national *auto-da-fé*. But if this were done it would soon be obvious where the crux of the problem lay, for either the state or the banks would have to provide the credit wherewith to enable us to go to work again to restore what we destroyed.

But this would not be all. That destruction, active or passive, would be the funeral pyre of capitalism; for no economic system can justify itself and survive but by the effective creation and widest distribution of wealth; and if ours resorts to systematic sabotage of its productive resources to support the prosperity of a part at the expense of the whole, millions of men will see that it is not worth saving.

In the prophetic words of Owen Young's San Francisco speech a year ago: "If America burns her surplus wheat and cotton when men are hungry and underclothed elsewhere in the world, that fire will start a conflagration which we cannot stop."

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